13 September 2017

eve Sleep plc

Half-year results

Strong trading year to date, strategic progress on all fronts

eve Sleep plc ("eve" , "Company" or the "Group"), the e-commerce focused, direct to consumer European sleep brand, today announces its interim results for the six months ended 30 June 2017.

Financial highlights

£m[1]	H1 2017	H1 2016	Movement
Revenue	11.5	5.1	+126%
Gross profit	7.0	2.9	+142%
Gross profit margin[2]	*60.4%*	*56.4%*	*+400bps*
Adjusted EBITDA loss[3]	(6.9)	(3.2)	(£3.7m)
Adjusted EBITDA loss margin	(60.2%)	(63.2%)	+300bps
Statutory loss before tax	(9.1)	(3.2)	(£5.8m)
Net cash	37.2	4.6	+£32.5m

Business highlights

- Revenue growth of 126%, with the UK up 107% and International up 153%
- Underlying non-mattress revenues up 500%, now contributing 10% of total
- Underlying gross profit margin[2] of 57.0%, an increase of 560 bps on H1 2016
- UK unprompted brand awareness increased from 0.5% in the prior year to 4.1%[4]
- Rollout to 9 new territories, now in 15 countries significantly ahead of schedule
- Extended the product range from 4 to 10
- Listed on AIM in May 2017 raising net proceeds of £32.8m

Post period end

- Momentum continues with underlying revenue growth for July and August up 129% year-on-year
- Unprompted brand awareness in the UK, which stood at 1.4% in December 2016, rose to 3.6% in March 2017 and by June had risen to 4.1%. It is now at 5.4%, making eve the 8th most recalled mattress brand in the UK - ahead of Ikea. In France unprompted awareness has tripled since May to 3%, putting eve in the top 10 most recalled mattress brands in France
- Underlying marketing efficiency in Q3 forecast to improve approximately 1,400 bps year-on-year
- New major German partnership signed with leading department store retailer Karstadt spanning all of their 79 store portfolio. Combined with the recent expansion of the Company's Next Home agreement, eve will be present in 146 stores in Europe's two largest mattress markets
- The Company is on-course to meet the board's full year expectations

Commenting on the results CEO Jas Bagniewski said:

"*Our maiden results as a listed company demonstrate extensive strategic progress and strong trading momentum. In tandem with the topline growth, the benefits of scale are starting to come through with improving cost metrics, particularly in the more established UK business.*

The substantial uplift in brand awareness and the improved performance on Google search in the period, both absolute and relative to our competitors, will be boosted in the second half by our new TV campaign, which launched in the UK, France and Germany in August. This will be further enhanced by our recent retail partnerships with Next Home and Karstadt, which, in addition to increasing brand awareness, provides a nationwide network of high quality outlets for those customers who still prefer to try before you buy, in Europe's two largest mattress markets.

We are a young company with much to prove in the £26bn European sleep market. While the broader furniture market including mattresses has been slow to transition to online purchase, the pace of change is now starting to accelerate. The combination of our compelling customer proposition, digital expertise and brand strength, combined with our scalable low cost business model, gives me confidence that we will win out over traditional and new operators and deliver for all of our shareholders."

The Company will be holding an analyst meeting today. For further details please contact Instinctif Partners.

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About eve Sleep

eve is an e-commerce focused, direct to consumer European sleep brand, which designs and sells eve-branded mattresses and other sleep products, including pillows, sheets and duvets.

The Company principally focuses on the design, branding, marketing and selling of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. This model has enabled the Company to quickly scale internationally without the requirement for significant capital investment.

The Company's aim is to become the leading pan-European sleep brand.

The CEO and co-founder of the business Jas Bagniewski, previously worked at Rocket Internet as a Country Manager of start-ups including Zalando and Groupon. He is supported by a strong and experienced management team, headed by Paul Pindar as Chairman.

In May 2017 the Company listed on AIM, raising £35m gross proceeds (£32.8m net) to accelerate its growth strategy. The shares floated at 101p per share, valuing the business, post new money at c.£140m.

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. The reported gross margin in H1 2017 and H1 2016 are both positively impacted by one-off and non-recurring factors. In H1 2017 gross margin was adjusted for a one-off provision release and the H1 2016 margin was adjusted for £0.5m of returns
3. Adjusted EBITDA is calculated before IPO related costs, other non-recurring items and share based payment charges
4. Source: Populus Omnibus
5. Source: Euromonitor International
6. Source: GlobalData Economic & Retail Update Q1 2017

Summary

The Company has had a strong first half of the financial year, with revenues more than doubling to £11.5m (2016: £5.1m). The performance was strong across the business with the UK revenues growing 107% and International revenues increasing 153%. During the period the Company launched into 9 new territories, taking the total number of countries to 15.

While sales of the core mattress product continue to contribute the vast majority of revenues, non-mattress sales were boosted by an increase in the product range from 4 to 10. As a result non-mattress revenue now accounts for 10% of total revenues, up from 4% in H1 2016.

eve is building a growing number of loyal brand advocates, with the number of repeat orders increasing and accounting for 13.2% of H1 2017 sales volumes in the UK (H1 2016: 9.1%). The average basket size on a mattress purchase is also increasing, with the attachment rate in the period increasing 35% to 1.78 year-on-year.

Marketing remains central to the Company's growth strategy, both in driving near-term sales and raising long term brand awareness. It is very encouraging for a business which launched just over two years ago that unprompted brand awareness in the UK has risen to 4.1%, up from 0.5% in June 2016.

As expected and owing to the rapid investment in the business in existing and new territories, losses in the period have increased, with an Adjusted EBITDA loss of £6.9m (H1 2016: loss £3.2m) before IPO related costs. Importantly, however, the performance shows that the benefits of scale are starting to come through. The overall gross margin saw a 400 bps improvement and in the UK the cost per customer acquisition has fallen by 11.4% year-on-year to £210. With International territories in ramp up mode it is too early to see the economies of scale, though they are expected to follow the UK trend.

Notwithstanding the rapid expansion of the business, the high quality of the customer proposition was maintained, as evidenced by the 9.7/10 customer score from independent review site Trustpilot. Likewise there was a marked reduction in the underlying returns rate, which has fallen year-on-year from 18% to 13%.

The admission to AIM on 17 May 2017 raised a net £32.8m of growth capital. As at 30 June 2017, eve has a strong balance sheet and no debt, with net cash of £37.2m. These funds will be used to accelerate the Company's growth strategy.

Outlook

The strong trading momentum delivered in the first six months of 2017 has continued into the second half of the year with underlying revenue growth year-on-year of 129% in July and August. This growth has been achieved in tandem with a year-on-year improvement in underlying marketing efficiency. The new TV campaign, increased product range and retail expansion with Next Home and Karstadt will further support growth through the rest of the year and into 2018.

While the economic climate in the UK remains uncertain, eve's growth opportunity remains unaffected due to its operations across Europe and a strategy predicated on market share rather than market growth. It is evident that the market is transitioning to online and that this trend is starting to accelerate. eve is well placed to win market share during this transition, given its compelling customer proposition, digital expertise and growing brand awareness.

Market overview

The mattress market across the UK and Europe is forecast to be worth an estimated £5bn[5] by 2019, with the UK market accounting for approximately £1bn. However, the broader sleep market, which includes mattresses, bedroom furniture and bed and bath textiles such as bed sheets and pillows, is forecast to be worth an estimated £26bn by 2019, with the UK expected to be worth some £6bn.

This sizeable market is growing and starting to transition online. The UK market is forecast to grow 3.5% p.a. between 2017 and 2019, primarily through a combination of volume growth and customers trading up to more premium products.

Following decades of little change in the mattress market, the shift to online purchase is now underway and starting to accelerate. The broader furniture market, in which eve operates, has historically been one of the slowest to transition to online purchase, in part because of a lack of innovation by the main operators and in part because of consumer caution to purchasing big ticket items online, unseen and untouched. However, this is now changing. It is forecast that the online furniture market will be the second fastest growing retail market between 2017 and 2022, with forecast growth of 55%[6.]

eve has structured its customer proposition and business model in a way to maximise the opportunity from the shift to online purchase. The customer proposition has been simplified and accelerated, including next day delivery, and crucially eve offers customers a 100 day home trial in order to overcome any perceived hurdles to online purchase.

Growth strategy
There are four pillars to the Company's growth strategy:

1. Marketing and growing brand awareness in core markets
2. Internationalisation
3. New product rollout
4. Omnichannel expansion

Marketing and growing brand awareness in core markets
In just over two years eve has achieved strong trading momentum in the core markets of the UK, France and Germany – the three largest mattress markets in Europe. This has principally been achieved through effective marketing, resulting in growing brand awareness in absolute terms and relative to its online competitors. Unprompted brand awareness in the UK, which stood at 1.4% in December 2016, rose to 3.6% in March 2017 and by June had risen to 4.1%. It is now at 5.4%.

Following the IPO, eve now has the funds to accelerate its proven and effective marketing strategy, in order to build further brand awareness and market share gains. Notwithstanding the additional marketing investment, it is anticipated that through efficiencies, the average cost of acquiring new customers will continue the recent declining trend seen in the UK.

Since the period end, a new TV campaign was launched in August in the UK, France and Germany, which so far has proven very successful in terms of driving sales and brand awareness, while achieving a reduction in customer acquisition costs.

Internationalisation
The simplicity of the eve business model allows us to enter new markets and expand quickly without the need for significant capital investment. There is little need for additional expenditure in technology or physical assets on the ground. This allows resources, which in a more traditional retail model would have been invested in stores and infrastructure, to be focused on advertising and marketing.

New product rollout
The product offering currently consists of eve-branded bedroom furniture including the memory foam mattress, pillows, topper, protector and the accompanying home textiles including eve-branded sheets and duvet. In the period under review the product range has increased to 10 items, following the launch of a cot mattress (the "baby eve"), a bed frame and eve-branded pyjamas through a collaboration with Folk Clothing.

The benefits of this product expansion can be seen from the growth in non-mattress sales, which now make-up 10% of total sales, compared to just 4% in H1 2016. In addition, there has been a 35% increase in the average number of products purchased per mattress order; the attachment rate now stands at 1.78.

Looking ahead the vision is to create a "one-stop shop" for an "all-in sleep package" which offers the essential items for a good night's sleep and a range of sleep accessories.

Omnichannel expansion
While the largest revenue stream of the business and management's focus will continue to be on driving sales through the eve websites, select offline and online partnerships provide access to a wider target customer base and further help grow brand awareness. Additionally, with the industry transition to online

purchase in its infancy, retail partnerships specifically, help target customers who still want to touch and try before you buy. They also typically have a lower returns rate.

In the UK, the Company currently benefits from partnerships with online retailers (including Amazon, Tesco and Wayfair) and offline partnerships with Debenhams, Fenwicks and Next Home. Since 30 June 2017 the Next Home partnership has been extended from 3 to 55 stores and we have secured our first overseas retail partnership in Germany with Karstadt. When all existing retail partnerships have gone live, eve will operate nationwide in the UK and Germany from 146 stores.

The intention is to limit partnership sales in order to obtain the benefits of the partnership model without compromising the Company’s direct to consumer online proposition.

Consolidated Income Statement

	6 month period ending 30th June 2017 Unaudited £m	6 month period ending 30th June 2016 Unaudited £m
Revenue	**11.5**	5.1
Cost of sales	**(4.6)**	(2.2)
Gross profit	**7.0**	2.9
Distribution expenses	**(1.3)**	(0.4)
Administrative expenses	**(12.6)**	(5.7)
Operating loss before IPO related expenditure	**(6.9)**	(3.2)
IPO related expenditure	(2.1)	-
Loss before tax	**(9.1)**	(3.2)
Taxation	**-**	-
Loss for the year/period	**(9.1)**	(3.2)

Financial data has been rounded for presentation purposes. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data

Consolidated Balance Sheet

	At 30th June 2017 Unaudited £m	At 30th June 2016 Unaudited £m
Assets		
Non-current assets		
Property, plant and equipment	**-**	**-**
	-	-
Current assets		
Inventories	**0.5**	0.6
Trade and other receivables	**1.5**	1.3
Cash and cash equivalents	**37.2**	1.8
	39.1	3.8
Total assets	**39.1**	**3.8**
Current liabilities		
Trade and other payables	**3.4**	1.0
Provisions	**0.8**	-
	4.2	1.0
Total liabilities	**4.2**	1.0
Net assets	**35.0**	2.7
Equity attributable to equity holders of the parent		
Share capital	**35.0**	4.4
Share premium	**21.9**	3.1
Retained earnings	**(21.9)**	(4.7)
Total equity	**35.0**	2.7

Consolidated Cash Flow Statement

	6 month period ending 30th June 2017 Unaudited £m	6 month period ending 30th June 2016 Unaudited £m
Cash flows from operating activities		
Loss for the year/period Before IPO related expenditure	**(6.9)**	(3.2)
Adjustments for:		
Depreciation	**-**	-
Increase in trade and other receivables	**(0.4)**	(0.9)
Increase in inventories	**-**	(0.6)
Increase in trade and other payables	**(0.3)**	0.5
Increase in provisions – net	**1.6**	0.2
Non Cash Items (C4 Equity)	**0.8**	-
Net cash from operating activities	**(5.3)**	(4.1)
Cash flows from financing activities		
IPO proceeds (Gross)	**34.9**	-
Other funding rounds	**5.0**	4.4
Purchase of share options	**-**	-
Cost of fundraising	**(2.1)**	-
Net cash from financing activities	**37.8**	4.4
Net increase in cash and cash equivalents	**32.5**	0.3
Cash and cash equivalents at start of period	**4.6**	1.6
Cash and cash equivalents at end of period	**37.2**	1.8

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 2017 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 compliance with the recognition and measurement requirements of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the EU. 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.

Going concern

The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements

Accounting Policies

The accounts have been prepared in accordance with accounting policies that are consistent with the December 2016 Accounts and that are expected to be applied in the Report and Accounts of the year ended 31 December 2017.

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 1st January 2017 – 30th June 2017

	UK	*Rest of Europe*	*Rest of World*	**Total**
Revenue	**6.3**	**4.7**	**0.5**	**11.5**
Cost of sales	(2.3)	(2.2)	(0.1)	(4.6)
Gross profit	**4.0**	**2.5**	**0.4**	**7.0**
Distribution expenses	(0.6)	(0.7)	(0.1)	(1.3)
Segmental results	**3.5**	**1.9**	**0.3**	**5.6**
Administrative expenses				(14.7)
Profit/(loss) before tax	**3.5**	**1.9**	**0.3**	**(9.1)**

For the period 1st January 2016 – 30th June 2016

	UK	*Rest of Europe*	*Rest of World*	**Total**
Revenue	**3.0**	**1.2**	**0.9**	**5.1**
Cost of sales	(1.3)	(0.6)	(0.4)	(2.2)

Gross profit	**1.8**	**0.6**	**0.5**	**2.9**
Distribution expenses	(0.2)	(0.1)	(0.1)	(0.4)
Segmental results	**1.5**	**0.5**	**0.4**	**2.5**
Administrative expenses				(5.7)
Profit/(loss) before tax	**1.5**	**0.5**	**0.4**	**(3.2)**

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.

3. Earnings Per Share

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

The diluted earnings per share has been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options.

	30 June 2017	***30 June 2016***
Weighted average shares in issue for basic earnings/(loss) per share and diluted earnings/(loss) for share (no. of shares)	138,623,260	2,463,116
Loss attributable to owners of the parent company from continuing operations	**(9,056,280)**	**(3,230,553)**
Basic earnings/(loss) per share (pence)	(6.53)p	(131.16)p
Diluted earnings/(loss) per share (pence)	(6.53)p	(131.16)p

EPS and diluted EPS are not calculated for each class of share as the shares carry the same right to share in profit or loss for a period.

During the year the Company issued bonus shares prior to its admission to AIM on a 250:1 basis followed by a consolidation of shares. Loss per share reflects the effect of the bonus issue and the additional equity raised as part of the admission to AIM and is provided in the interests of further and better disclosure. The number shares in issue for the current period has been stated to reflect the post IPO share capital structure; this adjustment assumes the total shares issued during the IPO were in issue throughout the whole of the current period and so a weighted average calculation has not been presented.

The above June 2016 Calculation is based on the share capital pre IPO re-organisation and re-registration of Eve Sleep Ltd to become Eve Sleep PLC which completed on 18th May 2017.

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.