BeterBed holding

Press release

# Annual results

# 2016

# 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 company does this via stores and its own web shops through the formats:

- Matratzen Concord, located in Germany, Switzerland and Austria.
- Beter Bed, located in the Netherlands and Belgium.
- Beddenreus, located in the Netherlands.
- El Gigante del Colchón, located in Spain.
- Sängjätten, located in Sweden.
- Literie Concorde, located in France.

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. The international brand M line is sold in the Netherlands, Germany, Belgium, Spain, Austria, Switzerland, France, Sweden and the United Kingdom.

In 2016, the company achieved net revenue of € 410.5 million with a total of 1,206 stores. 66.4% of this figure was realised outside the Netherlands.

Beter Bed Holding N.V. has been listed on the Euronext Amsterdam since December 1996 and its shares (BBED NL0000339703) have been included in the AScX Index.

For more information please visit www.beterbedholding.com.

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## Press release

# Press release

***Uden, the Netherlands, 17 March 2017***

## Beter Bed achieves higher revenue in 2016

- **Net revenue rose by 6.5% to € 410.5 million.**
- **Gross profit increased to 57.8% (2015: 57.7%).**
- **EBITDA decreased to € 37.5 million (2015: € 41.1 million).**
- **Operating profit decreased to € 26.0 million (2015: € 30.7 million).**
- **Net profit amounted to € 19.0 million (2015: € 22.6 million).**
- **Dividend proposal: € 0.74 per share, pay-out ratio of 85%.**

### Key figures for the year
(in millions of € unless stated otherwise)

| | 2016 | 2015 | Change |
|---|---|---|---|
| Revenue | 410.5 | 385.4 | 6.5% |
| Gross profit (%) | 57.8 | 57.7 | |
| EBITDA | 37.5 | 41.1 | -8.7% |
| EBIT | 26.0 | 30.7 | -15,2% |
| Net profit | 19.0 | 22.6 | -15.7% |
| Earnings per share (in €) | 0.87 | 1.03 | -15.5% |
| Proposed dividend (in €) | 0.74 | 0.87 | |
| Pay-out ratio (in %) | 85 | 85 | |

| | 31-12-2016 | 31-12-2015 |
|---|---|---|
| Solvency (%) | 53.5 | 57.5 |

### Ton Anbeek, Chief Executive Officer
*'Beter Bed Holding looks back on a year in which performance varied sharply from country to country. Ultimately the group as a whole realised higher revenue with slightly rising margins. It did so, however, with higher expenses that caused operating profit to decrease slightly in 2016 compared to previous year. These higher expenses relating to IT, e-commerce, expansion, acquisition and optimising the number of staff on the shop floor are in line with the strategy. All countries within the group, with the exception of Germany, succeeded in achieving the objectives set out in the strategy.*

*The lagging performance in Germany relates to the delayed introduction of a new technical webshop platform, a growing trend towards box-springs and the entry of online players with one-size-fits-all mattresses that 'buy' market share at extremely high acquisition costs. Internal measures have been taken in order to reverse the negative revenue trend.'*

## Key figures for the fourth quarter results

(in millions of € unless stated otherwise)

| | 2016 Q4 | 2015 Q4 | Change |
|---|---|---|---|
| Revenue | 111.8 | 102.9 | 8.6% |
| Gross profit (%) | 59.9 | 60.6 | |
| EBITDA | 13.1 | 15.5 | -15.7% |
| EBIT | 10.1 | 12.7 | -20.3% |
| Net profit | 7.4 | 9.3 | -20.7% |

## Fourth quarter of 2016

Group revenue at comparable stores rose by 4.6% in the fourth quarter. Especially in the Netherlands there was a strong increase, where like-for-like order intake increased by 21.5%. Like-for-like revenue in Germany fell by 4.5%, primarily as a result of lower visitor numbers. Switzerland also saw like-for-like revenue come under pressure due to a challenging comparison base. Like-for-like revenue rose in Belgium, Austria and Spain.

Total revenue increased by 8.6% to € 111.8 million in the fourth quarter. Gross profit in 2016 of 59.9% was lower compared to the fourth quarter of 2015 (60.6%). After the press release of January 20 a further analysis has taken place of the stock valuation. This analysis has led to an adjustment of the stock value of € 1.0 million (non-cash). Excluding this administrative adjustment, gross profit would have risen by 0.2% in the fourth quarter.

Expenses rose by 14.4% to € 56.8 million in the fourth quarter. This increase of € 7.1 million was caused on the one hand by expansion, as a result of which the average number of stores increased by 3.9%, and on the other hand by higher marketing spending in Germany, higher depreciation as a result of the investment program in the stores, rising logistics costs owing to the revenue growth and higher overhead costs due to expansion of the e-commerce activities.

EBITDA decreased to € 13.1 million. Operating profit (EBIT) decreased to € 10.1 million in the fourth quarter. Net profit for the fourth quarter of 2016 totalled € 7.4 million (Q4 2015: € 9.3 million).

## 2016

Revenue for 2016 increased by 6.5% to € 410.5 million. Revenue at comparable stores rose by 2.8% in 2016.

Revenue performance per country in 2016 was as follows:

| | |
|---|---|
| The Netherlands | 19.8% |
| Germany | -4.0% |
| Austria | 14.8% |
| Switzerland | 3.3% |
| Spain | 22.0% |
| Belgium | 30.9% |

With the exception of Germany, all group companies showed positive revenue performance. The decrease in revenue in Germany is in line with the development of the German market in 2016. The lagging performance in Germany relates to the delayed introduction of a new technical webshop platform, a growing trend towards box-springs and the entry of online players. The growth in revenue in the Netherlands and Austria was caused primarily by a positive like-for-like development. The growth in Switzerland, Spain and Belgium was due to a combination of expansion and like-for-like growth in the order intake.

Gross profit as a percentage of revenue amounted to 57.8% in 2016, which is a slight increase compared to previous year (2015: 57.7%). This increase was achieved through improvements in conditions, the assortment, product innovation and, when possible, the implementation of price increases. Excluding the aforementioned adjustment in the stock valuation, gross profit amounts to 58.0%.

Total expenses rose from € 191.5 million to € 211.1 million. This increase of 10.2% is attributable in part to rising staff costs. This is connected with the expansion of the group in primarily the second half of 2016, the acquisition of Sängjätten in June 2016, a higher number of staff on the shop floor and the payment of higher bonuses due to the higher revenue. This higher revenue also led to higher logistics costs. Overhead expenses rose as a result of strengthening the management teams in various countries and expanding mainly the IT and e-commerce activities. The non-recurring expenses for e-commerce, logistics studies, et cetera amounted to € 2.6 million in 2016 on an annual basis.

The average number of stores grew by 3.6%. Owing to the aforementioned development of expenses, average expenses per store rose by 6.3%.

EBITDA decreased by 8.7% to € 37.5 million in this period. EBITDA as a percentage of revenue decreased from 10.7% to 9.1%.

Operating profit (EBIT) decreased in this period by 15.2% to € 26.0 million. Operating profit as a percentage of revenue decreased from 8.0% to 6.3%.

Net profit for 2016 decreased by 15.7% from € 22.6 million to € 19.0 million. Earnings per share for 2016 were € 0.87 (2015: € 1.03).

## Investment and cash flow

Investments in intangible and tangible fixed assets amounted to € 16.5 million in 2016 (2015: € 16.0 million). Investments in stores were € 10.4 million in 2016 (2015: € 8.9 million). The remaining amount was invested primarily in IT and to a lesser extent in other operating assets.

## Solvency

Solvency amounted to 53.5% on 31 December 2016, compared to 57.5% on 31 December 2015.

## Operational

108 stores were opened and 63 stores were closed in 2016. New stores were opened primarily in Germany, Spain, Belgium and France. The increase in the number of stores, apart from the acquisition of Sängjätten in Sweden in June, was distributed evenly across the year. At year-end 2016, the group owned a total of 1,206 stores.

## Number of stores

| | 31-12-2015 | Closed | Opened | 31-12-2016 |
|---|---|---|---|---|
| Matratzen Concord | 992 | 48 | 60 | 1,004 |
| Beter Bed | 97 | 6 | 9 | 100 |
| Beddenreus | 34 | 7 | 6 | 33 |
| El Gigante del Colchón | 36 | 2 | 14 | 48 |
| Literie Concorde | 2 | - | 3 | 5 |
| Sängjätten | - | - | 16 | 16 |
| **Total** | **1,161** | **63** | **108** | **1,206** |

## Matratzen Concord

| Number of stores | 31-12-2015 | Closed | Opened | 31-12-2016 |
|---|---|---|---|---|
| Germany | 849 | 40 | 52 | 861 |
| Austria | 85 | 4 | 3 | 84 |
| Switzerland | 58 | 4 | 5 | 59 |
| **Total** | **992** | **48** | **60** | **1,004** |

## Matratzen Concord

Revenue of the cash & carry format Matratzen Concord for 2016 totalled € 257.0 million (62.6% of total group revenue). This is a decrease of 2.0% in comparison to 2015. Revenue decreased by 4.8% in comparable stores. 83.2% of the revenue of Matratzen Concord was achieved in Germany and 16.8% in Austria and Switzerland.

## Beter Bed

This format operates in the Netherlands and Belgium. Revenue grew from € 101.3 million to € 122.4 million in 2016, which equals an increase of 20.9%. Order intake at comparable stores increased by 19.2% in 2016. Beter Bed contributes 29.8% to the total group revenue.

## Other formats

The revenue of the other formats amounted to € 31.1 million for 2016, contributing 7.6% to the total group revenue. This includes the revenue of the store formats Beddenreus (Netherlands), El Gigante del Colchón (Spain), Sängjätten (Sweden), Literie Concorde (France) and the wholesale entity DBC.

## Outlook 2017

While economic developments in the various countries appear to be favourable, the outlook for 2017 is primarily determined by the extent to which revenue recovers in the German market. Through the final delivery of the new webshop platform in the first quarter of 2017 and a refined promotion and advertising strategy, we expect to see a slight improvement in Germany in the first half of 2017.

Given the results achieved so far, we will continue to pursue the objectives set out in our ‘From Good to Great 2016-2020’ strategic plan with the primary focus being on maximising customer satisfaction in an omnichannel environment, which will be supported by a sharpened retail marketing focus and innovations and an acceleration of logistics. The company furthermore aims at market leadership in the various markets through like-for-like growth in revenue and expansion.

After driving organic growth in revenue across the company through various new initiatives, investments and experiments for a number of years, a stringent cost control and investment policy will be followed in 2017.

## Dividend

Beter Bed Holding N.V.’s dividend policy is aimed at maximising shareholder returns while maintaining a solid capital position. The company aims to distribute at least 50% of its net profit to the shareholders provided that its solvency is not less than 30% and the net interest-bearing debt/EBITDA ratio does not exceed two.

In November 2016 the company paid an interim cash dividend of € 0.34 per share. A proposal will be submitted to the Annual General Meeting, scheduled for 18 May 2017, to distribute a final cash dividend of € 0.40. This brings the dividend for 2016 to € 0.74 per share (2015: € 0.87 per share) and 85% of net profit will be distributed to shareholders.

## Auditor's report

The financial information in the appendices is taken from the consolidated financial statements of Beter Bed Holding N.V., which will be submitted for adoption to the Annual General Meeting on 18 May 2017, and for which an unqualified auditor’s report has been issued by the independent auditor.

**FOR MORE INFORMATION:**

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# Consolidated balance sheet

## Per 31 December

| (* EUR 1.000) | 2016 | 2015 |
|---|---|---|
| **Fixed assets** | | |
| Tangible assets | **38,070** | 34,520 |
| Intangible assets | **7,002** | 3,477 |
| Financial assets | **1,877** | 1,580 |
| **Current assets** | | |
| Inventories | **61,884** | 57,926 |
| Receivables | **12,992** | 8,662 |
| Cash and cash equivalents | **21,792** | 25,512 |
| **TOTAL ASSETS** | **143,617** | 131,677 |
| **Equity** | | |
| Equity attributable to equity holders of the parent | **76,878** | 75,750 |
| **Liabilities** | | |
| Provisions | **198** | 538 |
| Deferred tax liabilities | **2,154** | 2,279 |
| Current liabilities | **64,387** | 53,110 |
| **TOTAL EQUITY AND LIABILITIES** | **143,617** | 131,677 |

# Consolidated profit and loss account

| (* EUR 1.000) | **2016** | 2015 |
|---|---|---|
| Revenue | **410,457** | 385,440 |
| Cost of sales | **(173,350)** | (163,225) |
| **Gross profit** | **237,107** | 222,215 |
| | **57.8%** | 57.7% |
| Personnel expenses | **100,523** | 92,176 |
| Depreciation and amortisation | **11,168** | 9,825 |
| Other operating expenses | **99,381** | 89,515 |
| **Total operating expenses** | **211,072** | 191,516 |
| | **51.4%** | 49.7% |
| **Operating profit (EBIT)** | **26,035** | 30,699 |
| | **6.3%** | 8.0% |
| Finance income and costs | **(158)** | (51) |
| **Profit before taxation** | **25,877** | 30,648 |
| Income tax expense | **(6,862)** | (8,089) |
| **Net profit** | **19,015** | 22,559 |
| | **4.6%** | 5.9% |

# Consolidated statement of comprehensive income

| (* EUR 1.000) | **2016** | 2015 |
| --- | --- | --- |
| Profit | **19,015** | 22,559 |
| Non-recyclable: | | |
| Change in revaluation reserve | | |
| - due to revaluation of land | **-** | (35) |
| Recyclable: | | |
| Movements in reserve for currency translation differences | **(184)** | 283 |
| **Total comprehensive income** | **18,831** | 22,807 |

# Consolidated cash flow statement

| (* EUR 1.000) | 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit | **26,035** | 30,699 |
| Interest paid | **(148)** | (51) |
| Income tax paid | **(7,838)** | (4,443) |
| Depreciation and amortisation | **11,168** | 9,825 |
| Costs share-based compensation | **301** | 192 |
| Movements in: | | |
| – Inventories | **(2,457)** | (4,445) |
| – Receivables | **(4,345)** | (1,104) |
| – Provisions | **(340)** | (713) |
| – Current liabilities | **11,800** | 5,857 |
| – Other | **(131)** | 192 |
| | **34,045** | 36,009 |
| **Cash flow from investing activities** | | |
| Additions to (in)tangible assets | **(16,534)** | (15,963) |
| Acquisitions | **(3,287)** | - |
| Disposals of (in)tangible assets | **325** | 591 |
| Changes in non-current receivables | **(265)** | (124) |
| | **(19,761)** | (15,496) |
| **Cash flow from financing activities** | | |
| Share (re)issuance | **-** | 803 |
| Dividend paid | **(18,004)** | (16,687) |
| | **(18,004)** | (15,884) |
| **Change in net cash and cash equivalents** | **(3,720)** | 4,629 |
| Net cash and cash equivalents at the beginning of the financial year | **25,512** | 20,883 |
| **Net cash and cash equivalents at the end of the financial year** | **21,792** | 25,512 |

# Consolidated statement of changes in equity

| (* EUR 1.000) | Total | Issued share capital | Share premium reserve | Reserve for currency translation | Revaluation reserve | Other reserves | Retained earnings |
|---|---|---|---|---|---|---|---|
| **Balance on 1 Jan. 2015** | **68,635** | **438** | **17,673** | **814** | **2,847** | **30,003** | **16,860** |
| Net profit 2015 | 22,559 | - | - | - | - | - | 22,559 |
| Other components of comprehensive income 2015 | 248 | - | - | 283 | (35) | - | - |
| Profit appropriation 2014 | - | - | - | - | - | 16,860 | (16,860) |
| Final dividend 2014 | (8,124) | - | - | - | - | (8,124) | - |
| Interim dividend 2015 | (8,563) | - | - | - | - | (8,563) | - |
| (Re)issuance of shares | 803 | 1 | 761 | - | - | 41 | - |
| Costs of share-based compensation | 192 | - | - | - | - | 192 | - |
| **Balance on 31 Dec. 2015** | **75,750** | **439** | **18,434** | **1,097** | **2,812** | **30,409** | **22,559** |
| Net profit 2016 | 19,015 | - | - | - | - | - | 19,015 |
| Other components of comprehensive income 2016 | (184) | - | - | (184) | - | - | - |
| Profit appropriation 2015 | - | - | - | - | - | 22,559 | (22,559) |
| Final dividend 2015 | (10,539) | - | - | - | - | (10,539) | - |
| Interim dividend 2016 | (7,465) | - | - | - | - | (7,465) | - |
| Costs of share-based compensation | 301 | - | - | - | - | 301 | - |
| **Balance on 31 Dec. 2016** | **76,878** | **439** | **18,434** | **913** | **2,812** | **35,265** | **19,015** |