



## Eve Sleep AGM

### Shareholder Questions and Answers

#### **Question 1**

Since the Simba talks collapsed a few months back, has there been any movements towards this or any other merger/acquisition?

#### **Answer**

The core of the rebuild strategy has always been centred on achieving profitability and positive cash flow through organic progress in terms of driving profitable sales over a right sized cost base. However, like most companies, we will look at acquisitive opportunities as and when they arise to understand if they will (1) accelerate the attainment of our goals and (2) deliver value to our shareholders at an acceptable level of risk. The early stage talks with Simba did not progress because we judged that they were unlikely to meet the above criteria.

We have and will continue to look at relevant acquisitive opportunities as and when they arise but to date we have seen nothing of note. However, we remain focused and confident in our organic rebuild strategy and continue to make good progress towards our goal of profitability as evidenced in our 29 May 2020 trading update, which shows trading in-line with expectations and the cash burn in 2020 reducing to an average of just over £0.1m per month, with net cash reducing from £8.0m at 31 December 2019 to £7.5m at 30 April 2020.

#### **Question 2**

Over the last few months, have you seen any improvement on the word-of-mouth client base? I.e. clients that have ordered a product because they've heard good reviews from acquaintances instead of being acquired through the more traditional targeted marketing approach? I'd expect this to be growing as the client base increases given the quality of the product.

## **Answer**

We purposely don't collate this data because we doubt its validity. However, in terms of positive customer recommendations, we are achieving strong reviews on customer review sites including Trustpilot, where we have now passed the benchmark of 5,000 reviews, with an average score of 4.6 out of 5. In addition our referral programme, which offers discounts for customers that recommend eve sleep continues to be popular and a revenue generator.

## **Question 3**

Regarding Casper leaving the European market, do you consider this to be the result of the coronavirus situation, whereby companies must now focus on their home markets to ease pressure off their supply chains? And what kind of market share increase do you expect to gain from Casper leaving alone?

## **Answer**

We can't answer for the motivations of Casper but certainly there appears to be a shakeout in the industry, with Leesa also exiting the European market. Rationalisation in any new market is to be expected at some time and there were indications earlier this year of Casper's intent to withdraw from Europe, but it is also possible that the unprecedented events of Covid-19 have accelerated this process.

With all of the current market uncertainty it is difficult to quantify to what extent we have or will benefit from the removal of these two competitors, both of which had modest UK footprints of late. However, it is clear from our trading update released on 29 May 2020, that eve has so far successfully navigated this complex trading period – reporting trading in-line with the Board's expectations and a reduction in the average monthly cash burn to just £0.1m per month over the first four months of the year.

Looking ahead, further rationalisation of online and store based competition is possible. However, in the short-term we are likely to see the re-opening of store based competitors from mid-June with possible aggressive attempts to recover lost revenue and shift stock rapidly. While market uncertainty is likely to remain high in the coming months we are confident in our online focused proposition, core strategy and the breadth of our award winning product suite.