



# Sleep Cycle year end report 2022: Increased growth and higher margins despite macro economic uncertainties

Despite a challenging year and an uncertain environment, Sleep Cycle increased both growth and operating margin compared to the previous year. Revenue for the whole year increased by 16.6% (14.7%) to mSEK 213.3 and the adjusted operating margin amounted to 22.0% (19.9%) . Some of the highlights during the year included the launch of new features such as automatic sleep monitoring via Apple Watch, a partnership with Gympass and during the fourth quarter the launch on Huawei in China.

## The fourth quarter in summary (October-December 2022)

- Net sales increased by 16.0% (15.0%) and totaled tSEK 55,703 (48,040). Currency-adjusted net sales growth totaled 6.7% (21.7%).
- Operating profit totaled tSEK 5,011 (8,030) and the operating margin was 9.0% (16.7%).
- Adjusted operating profit totaled tSEK 7,813 (8,030) and adjusted operating margin was 14.0% (16.7%). In the fourth quarter, costs of in total tSEK 2,802 related to the public cash offer from Velvet Cichlid affecting comparability have been expensed. No costs were adjusted for in 2021.
- The total number of paying subscribers at the end of the period was 904,000 (901,000), an increase of 0.3% compared with the previous year.
- Average Revenue per User (ARPU) for the quarter totaled SEK 244 (214), a growth of 14.2% (0.1%).
- Earnings per share before dilution for the quarter totaled SEK 0.20 (0.33). Results per share after dilution totaled SEK 0.20 (0.32).

## The full year in summary (January-December 2022)

- Net sales increased by 16.6% (14.7%) and totaled tSEK 213,271 (182,937). Currency-adjusted net sales growth totaled 12.4% (21.6%).
- Operating profit totaled tSEK 44,110 (10,325) and the operating margin was 20.7% (5.6%).
- Adjusted operating profit totaled tSEK 46,912 (36,386) and adjusted operating margin was 22.0% (19.9%). In 2022, costs of in total tSEK 2,802 related to the public cash offer from Velvet Cichlid affecting comparability have been expensed. In 2021, costs of in total tSEK 26,061 was adjusted for related to IPO costs.
- The total number of paying subscribers at the end of the period was 904,000 (901,000), an increase of 0.3% compared with the previous year.
- ARPU for the period amounted to SEK 236 (212), a growth of 11.0% (0.0%).

- Earnings per share before dilution in the year totaled SEK 1.77 (0.43). Earnings per share after dilution totaled SEK 1.74 (0.42).
- The Board of Directors proposes dividend of SEK 7.00 per share, corresponding to mSEK 141.9 based on outstanding shares per 10 February 2023. SEK 1.00 per share as ordinary dividend for 2022 and SEK 6.00 per share as extra ordinary dividend.

### **Important events during the reporting period**

- In mid-quarter the new feature “Who is snoring?” was launched, which can detect with improved accuracy who in a room is snoring. The feature was developed using so-called few-shot-learning.
- During December Sleep Cycle was launched with Huawei in China, thus substantially increasing the targetable market. Sleep Cycle was already available previously for Apple’s users in the region and can now be found on two of the biggest platforms in this market.
- On 19 December 2022, Velvet Cichlid AB, a consortium controlled by GLA Invest SA, MCGA AB, h265 AB and Petter Wallin that represented some 68% of the shares in Sleep Cycle announced a cash takeover bid to the shareholders in Sleep Cycle. In connection with the board in Sleep Cycle assessing the offer and issuing recommendations to shareholders, exceptional costs of tSEK 2,802 weighed on the fourth quarter.

### **Important events after the period end**

- In January, a reorganization was carried out with the aim of tying the commercial functions together more closely with development and product strategy.
- On 2 February 2023, Velvet Cichlid AB announced they will not proceed with the cash takeover bid.
- The Board of Directors in Sleep Cycle adopted a policy with the goal that dividend shall, over time, amount to between 40% and 60% of annual net profit after taxes.

### **Updated dividend policy**

The Board of Directors in Sleep Cycle AB (publ) has adopted a dividend policy with the goal that dividend shall, over time, amount to between 40% and 60% of annual net profit after taxes. The Board of Directors proposes dividend of SEK 7.00 per share, corresponding to mSEK 141.9 based on outstanding shares per 10 February 2023. SEK 1.00 per share as ordinary dividend for 2022 and SEK 6.00 per share as extra ordinary dividend.

Sleep Cycle has a history of profitability and strong cash generation. With an asset light business model underpinned by prepaid subscriptions, the Board of Directors opinion is that the company can deliver on its long-term strategic goals, including investments for increased revenue growth, in combination with an annual dividend yield.

### **Commenting on the quarter, CEO Carl Johan Hederöth says:**

“During the year we have adjusted our prices and in the fourth quarter these were fully implemented on most major markets. As anticipated, the price adjustments have affected new user acquisition, but still, we managed to grow the number of subscribers with 0.3% to 904 000 by the end of the fourth quarter. The renewal rates continued to be stable and ARPU developed very good growing 13.7% in the fourth quarter.”

“Sleep Cycle is well positioned, has a strong balance sheet, and with the price adjustments implemented I expect continued growth in revenues and ARPU going forward. Still, the current market climate is uncertain, and I do not expect Sleep Cycle to be unaffected by the market turbulence. By releasing new functions and features and growing the number platforms we are present on, we increase our reach and attracts new users which drives growth. That is the core of our growth strategy, and we stick to that although traffic and downloads temporarily decreases due to market uncertainties”.

This information offered is such that Sleep Cycle AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was submitted, through the care of the below contact person, for publication on 10 February October 2022 at 8:30 CET.

The full interim report is available on <http://investors.sleepcycle> Carl Johan Hederoth and CFO Per Andersson will hold a presentation on Friday 28 October at 9:30 CEO. The presentation can be followed on <http://financialhearings.com/event/44443>

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## **About Sleep Cycle**

With millions of daily active users and over two billion nights analyzed in more than 150 countries, Sleep Cycle is the leading sleep tracking application and one of the most widely used solutions worldwide to improve sleep health. Sleep Cycle's mission is to improve global health by empowering people to sleep better. Since its launch in 2009, Sleep Cycle has helped millions of people understand their sleep habits and improve their sleep. The mobile application helps users fall asleep more easily, tracks and analyses sleep during the night, wakes the user in a light sleep phase and provides insight into how sleep quality is best improved. Sleep Cycle is one of the world's most comprehensive sources for statistics on sleep and contributes to research and reporting on sleep worldwide. Sleep Cycle is listed on Nasdaq Stockholm under the ticker SLEEP. The head office is located in Gothenburg, Sweden.