

INTERIM REPORT APR-JUN 2023
27 JULY 2023

SLEEP CYCLE



Summary Q2 2023

-5%

YoY subscription
growth

16%

YoY ARPU growth

11%

YoY net revenue growth

30%

Adj EBIT
margin

877k

Subscriptions

SEK 264

ARPU

SEK 58.2m

Net revenue

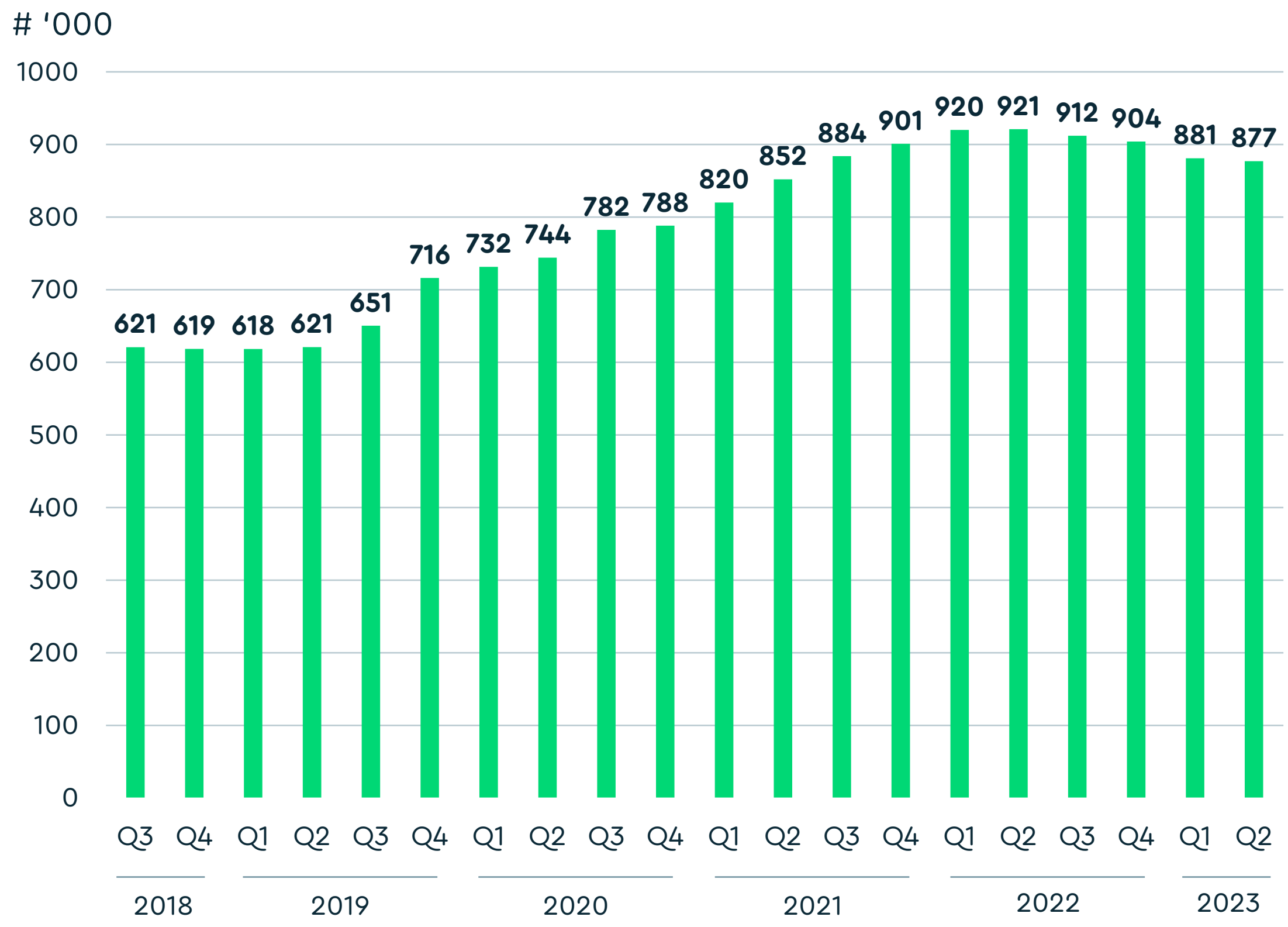
SEK 17.3m

Adj EBIT*

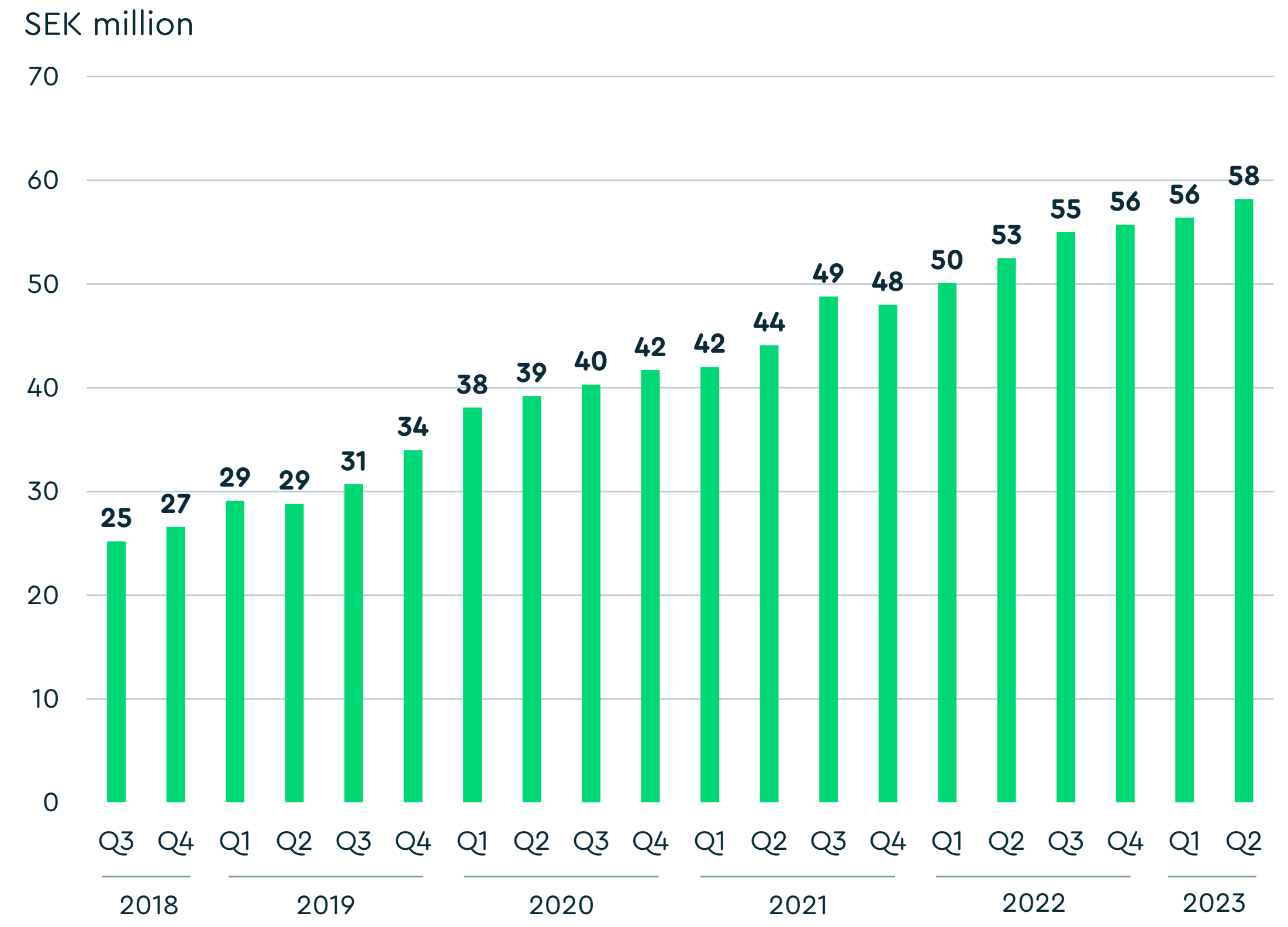
* Excluding costs of SEK 0.3m related to Velvet Cichlid's public cash offer and SEK 4.5m related to efficiency program

Stabilized subscription development and positive new user growth

SLEEP CYCLE TOTAL SUBSCRIPTIONS



SLEEP CYCLE NET REVENUE

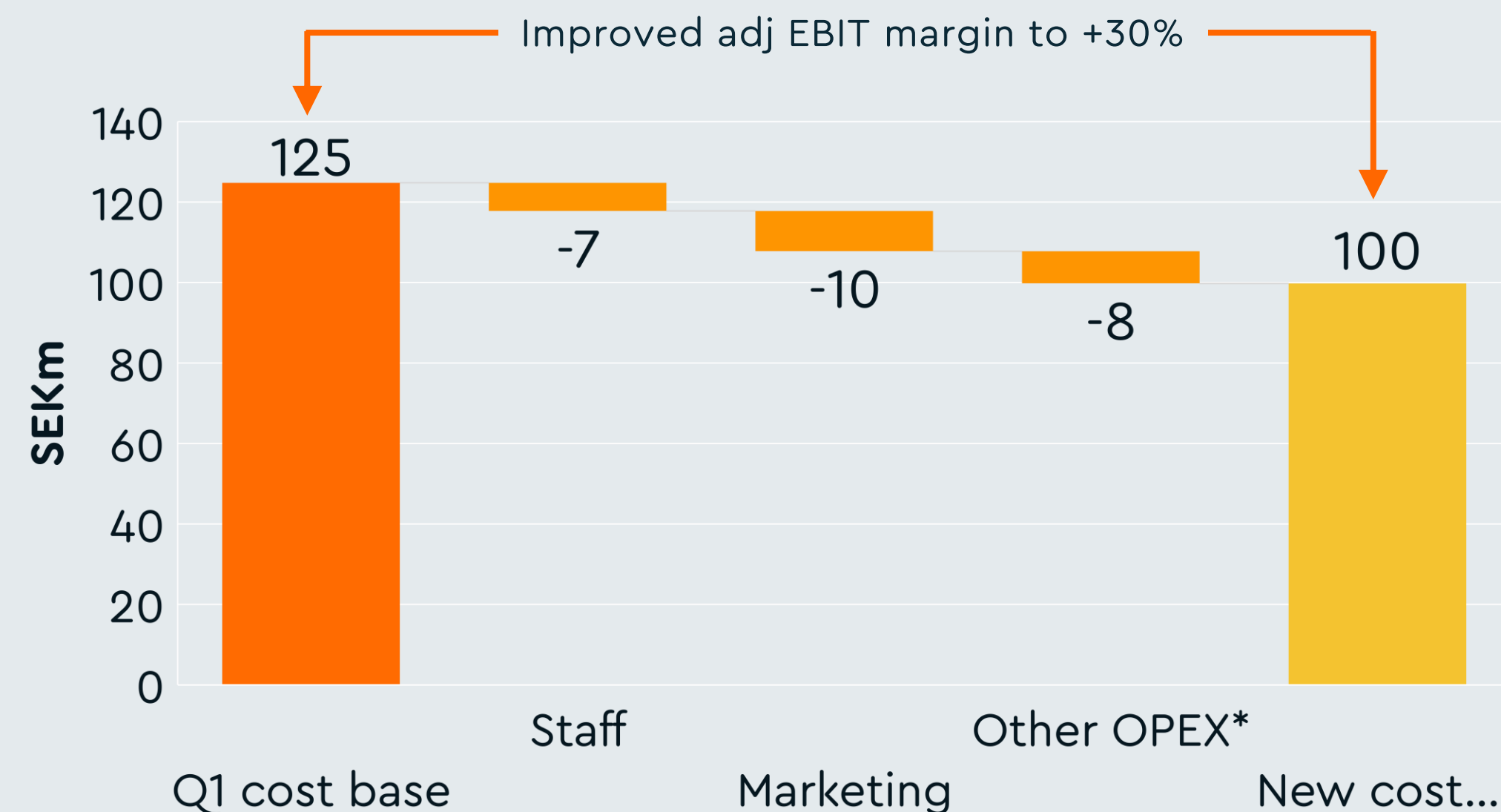


Efficiency program

Growth and higher profitability through core product focus and cost-efficient user acquisition

- ▶ Annual savings of ca SEK 25m:
 - Targeting adj EBIT margin above 30%
 - Resources focused on core-product development. Limited investments in new initiatives
 - Marketing concentrated to existing platforms and conversion driving campaigns with low CAC
- ▶ Cost-efficient user acquisition via organic channels:
 - New on-boarding and first-time experiences improving conversion rates
 - New feature releases enhancing offering, attracting new users and keeping competitors behind

ILLUSTRATIVE IMPACT FROM COST EFFICIENCY PROGRAM



* Including consultants and other purchases

User acquisition leveraging product development

Positive impact from feature releases, improved onboarding and higher conversion rates

Subscriber inflow growth for second half of the quarter driving net add subscriber growth month over month

1. Successful feature releases

- Noise level measurement, light measurement and continued good performance on breathing disruptions

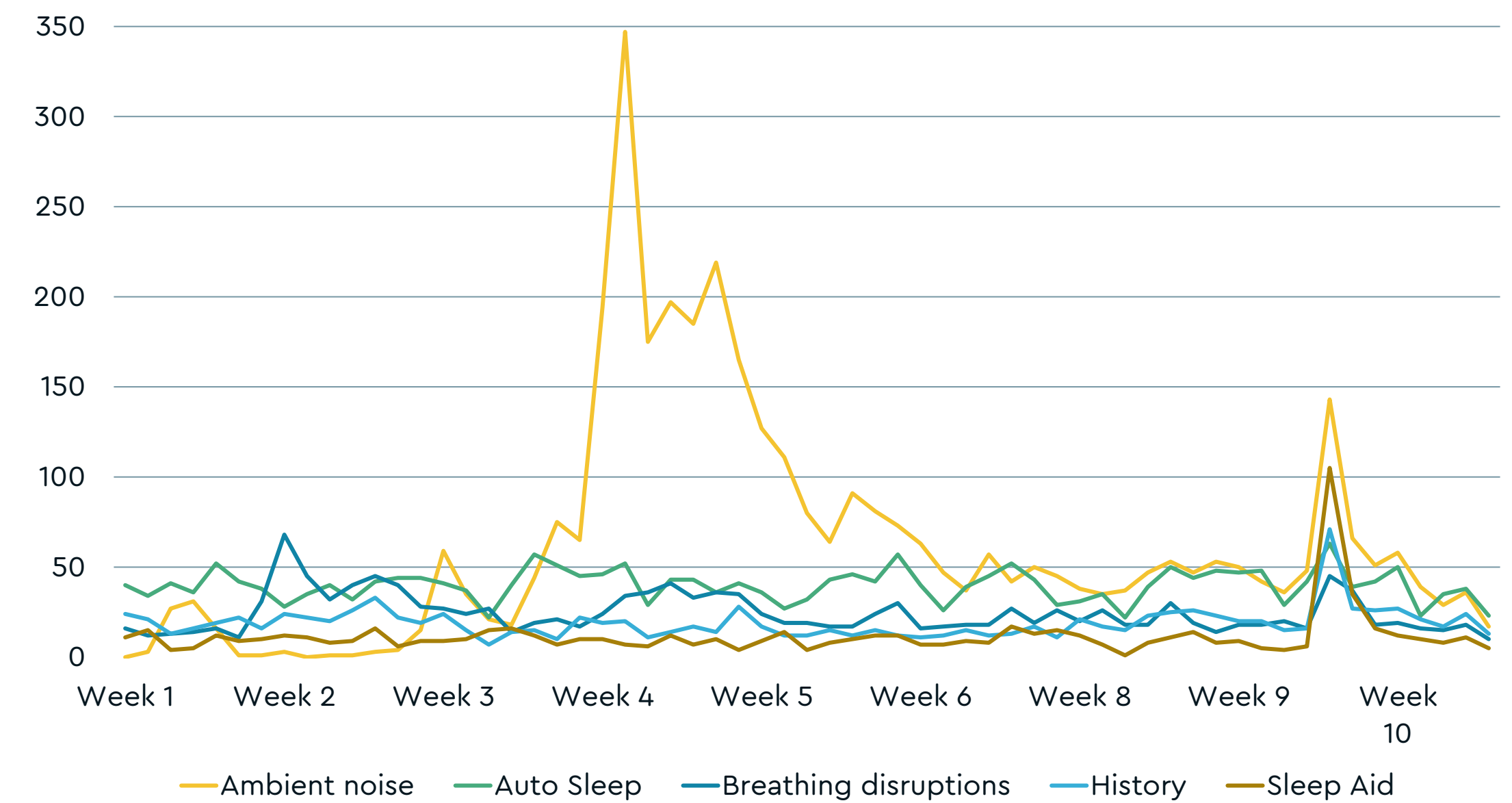
2. Onboarding optimisation

- Updated messaging, lowered threshold and updated paywall mechanics drives higher conversion rates

3. Reinitiated user growth in China

- ASO initiative in keywords, localisations and lifted as recommended app for sleep in Apple Health China

CONVERTED USERS BY FEATURE



Financial Summary Q2 2023:

Improved margins following cost efficiency program

SEK M	Q2-23	Q2-22	CHANGE	COMMENTS
Net revenue	58.2	52.5	10.9%	Net revenue growth of 10.9%, currency adjusted 1.0%. Negative subscription development and lower new user intake was offset by higher prices while the growth vs LY was mainly driven by FX
Capitalized work	0.6	1.1	-49.3%	Total capitalization of development expenses were SEK 1.6m (SEK 1.8m LY) mainly related to continued development of the Kids app
Platform fees	-13.0	-12.4	5.4%	Continued decrease in relation to revenues due to changed new/renew mix
Other external costs	-12.3	-13.6	-9.0%	NRI's of SEK 0.1m in Q2-23. Following launch of cost efficiency program in mid-May, marketing spending and purchase of external services are reduced
Staff costs	-18.3	-13.7	34.2%	NRI's of SEK 4.5m in Q2-23 related to severance pay for reduction of employees as part of cost efficiency program
D&A	-2.3	-1.4	67.8%	Increase due to depreciation of intangible assets and leasing of new office from Q2-23 (IFRS 16)
EBIT	12.7	12.8	-0.5%	EBIT highly impacted by total NRI's of SEK 4.5m
Margin	21.9%	24.4%		
Adj. EBIT	17.3	12.8	35.0%	Adjusted for NRI's, the cost efficiency program contributed to improved EBIT margin
Adj. margin	29.7%	24.4%		
Liquidity at period end	104.7	202.5	-48.3%	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 19.0m (14.7m)

Financial Summary 1H 2023:

Subscription decline offset by prices increase and FX

SEK M	1H-23	1H-22	CHANGE	COMMENTS
Net revenue	114.7	102.6	11.8%	Net revenue growth of 11.8%, currency adjusted 2.0%. Negative subscription development and lower new user intake was offset by higher prices and FX
Capitalized work	1.0	1.8	-42.9%	Total capitalization of development expenses were SEK 3.9m (SEK 1.0m internal costs) mainly related to the Kids app
Platform fees	-25.7	-24.3	5.8%	Developed in line with sales
Other external costs	-29.2	-25.4	14.7%	Exceptional items of SEK 0.4m in 1H-23. Additional use of consultants explain the increase vs LY. Marketing spending in line with LY
Staff costs	-33.0	-26.9	22.8%	Excluding NRI's of SEK 4.5m related to efficiency program, the increase is driven by number of FTE's
D&A	-3.9	-2.6	50.0%	Increase due to depreciation of intangible assets and leasing of new office from Q2-23 (IFRS 16)
EBIT	23.8	25.5	-6.7%	EBIT decrease explained by NRI's of SEK 4.9m
Margin	20.8%	24.9%		
Adj. EBIT	28.7	25.5	12.2%	Adjusted for NRI's, higher costs for consultants and staff was absorbed by revenue increase with margin in line with LY
Adj. margin	25.0%	24.9%		
Liquidity at period end	104.7	202.5	-48.3%	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 21.0m (41.7)

Outlook and focus areas

▶ **Growth**

A continued challenging market poses uncertainty to near-term subscription growth. Positive new user growth during the second quarter has potentially turned the trend upwards. Continued impact from previous and ongoing price increases may, together with new user growth, potentially accelerate sales going forward.

▶ **Profitability**

Focus on cost and operational efficiency following program launched in Q2. Full impact from cost reduction measures expected during 2H-23 with EBIT margin above 30%. Improvements of offering as well as new product launches are expected to support cost efficient new user acquisition.

▶ **Organisation**

39 employees as per Q2 including reduction of ca ten staff and consultants as part of efficiency program. Focus on core product development with limited organizational growth expected in coming periods.

Q&A

Carl Johan Hederoth – CEO
Per Andersson - CFO





Thank you!