



Q3 PRESENTATION 2022
28 OCTOBER 2022

SLEEP CYCLE



Continued growth, strong operating margin and a partnership breakthrough

3%

YoY subscription
growth

21%*

YoY net revenue growth

25%

EBIT
margin

912k

Subscriptions

SEK 55.0m

Net revenue

SEK 13.6m



EBIT

* 13% growth including Samsung non subscription revenue in Q3-21

Sleep Cycle strategic initiatives driving growth

1. EXPAND CORE OFFERING

New features allowing users to take the next step towards sleep improvement

-  **SLEEP IMPROVEMENT:** Build out of platform for sleep programs and guidance. Adding 30+ new courses, programs and tools for sleep improvement. Developed by Head of Science Mike Gradisar and Sleep Expert Li Åslund
-  **PREMIUM OFFERING:** Market specific testing around Sleep Cycle free user tier in terms of offering and monetization



2. INCREASE REACH

Increased focus on corporate wellness platforms with high reach

-  **PARTNERSHIPS:** Partnership with Gympass, a gym membership platform with +1,000,000 users launched gaining additional presence in Latin America
-  **CORPORATE WELLNESS:** Continued development of offering and on-boarding of new users. Increased focus to scale the offering on corporate wellness platforms

3. SCALE MARKETING

Increased spending from adding new marketing channels

-  **PAID:** Increased spending during Q3. In combination with price increases and actions to increase conversion rate LTV will grow and create room for higher SAC
-  **SAC:** Higher SAC following increased total spending and marketing scale-up in new channels. Increased marketing efficiency expected from 2023

Deep dive:

Wellness platform partnerships - Gympass

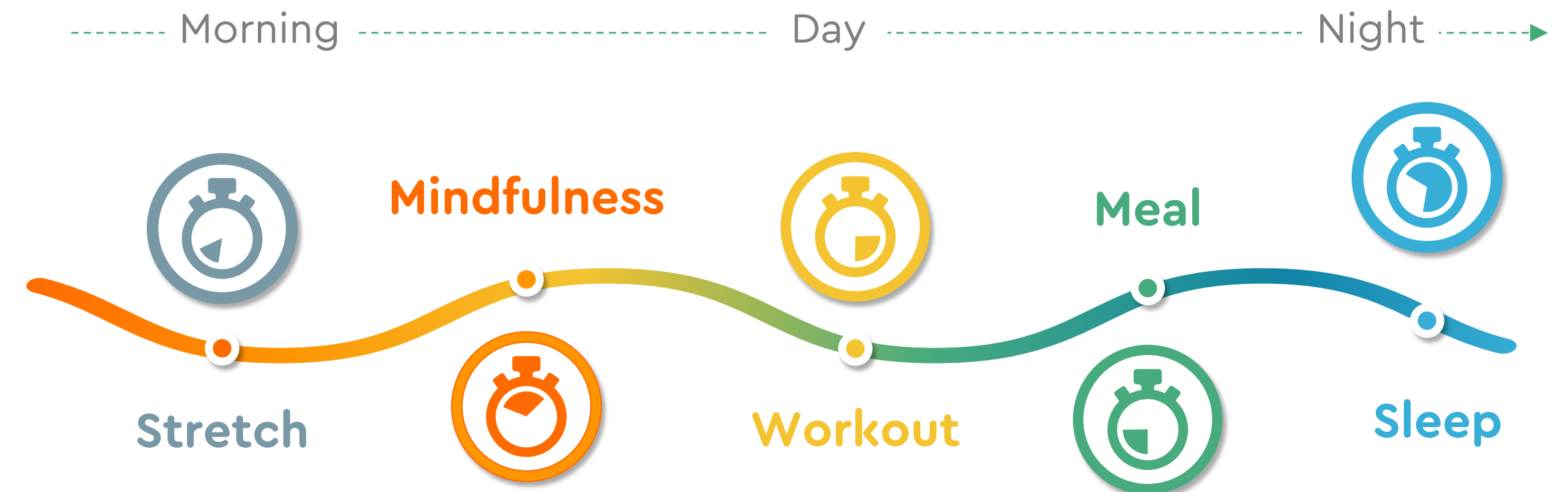
Gympass corporate memberships offers multiple features in one membership

- Holistic wellness approach combining physical activity, mindfulness and daily routines
- 1,000,000+ members and a network of 1,000+ gyms in mainly LATAM and USA
- Active communication, activities, lectures and promotion to drive engagement across the platform

Efficient channel reaching new users on new markets

- Sleep Cycle being only partner within the sleep area
- The platform offers good access to high-intent users with interest for wellbeing
- Gympass' footprint in LATAM offers good opportunities to reach users on markets where Sleep Cycle's presence is currently low

Daily Gympass user journey

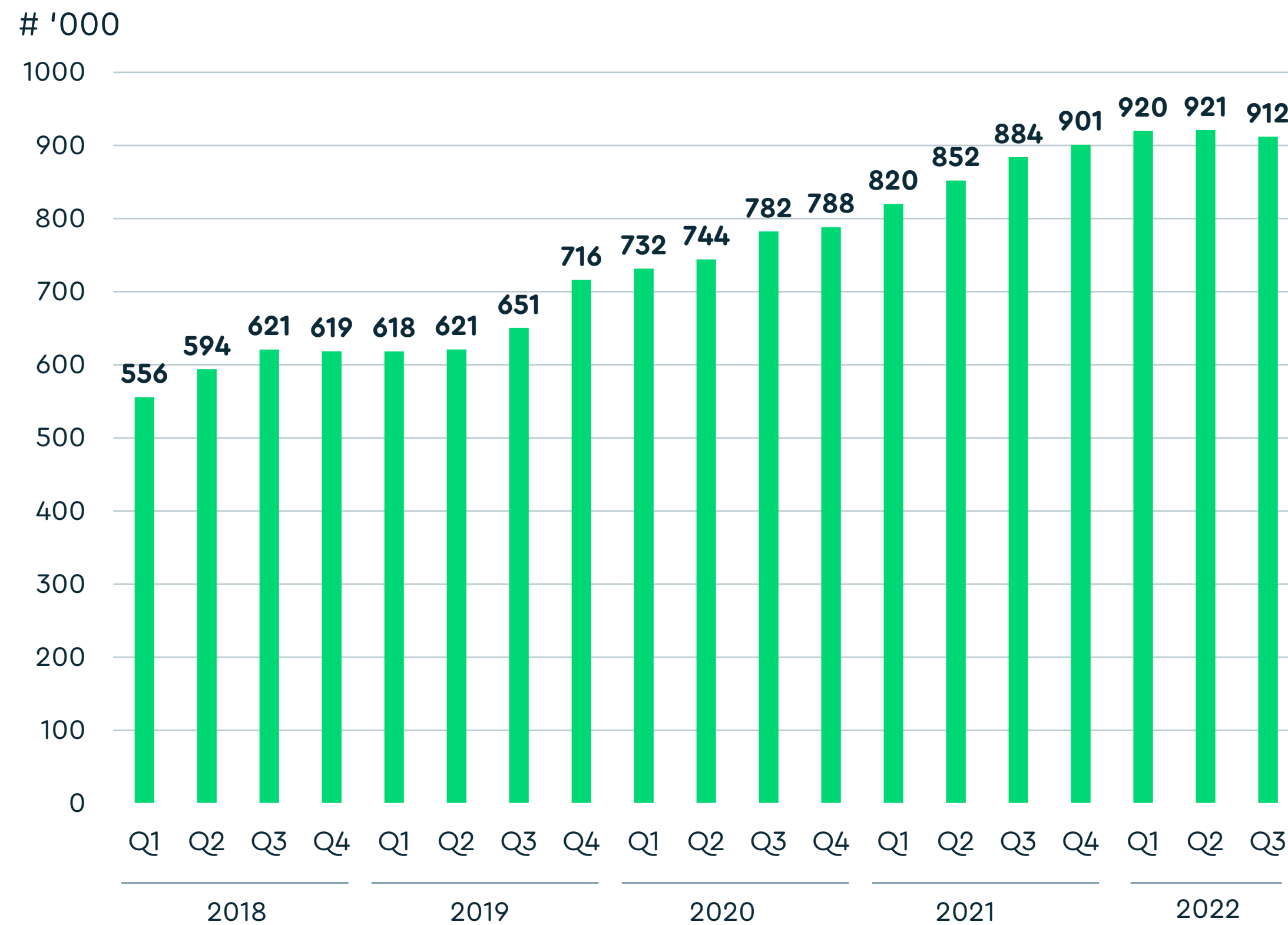


Other Gympass partners

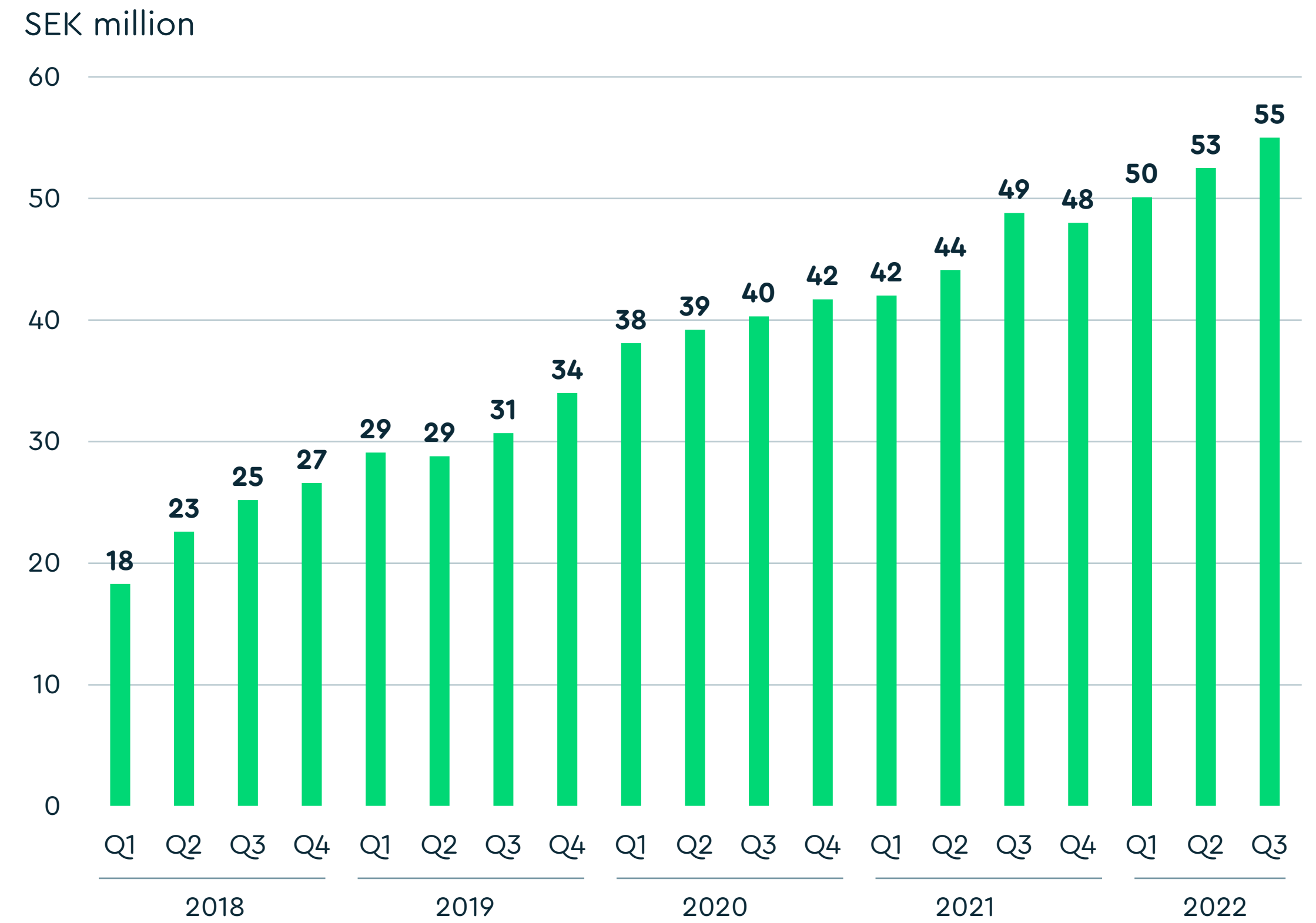


Continued positive revenue growth albeit lower new user intake due to price increases affecting fewer downloads

SLEEP CYCLE TOTAL SUBSCRIPTIONS



SLEEP CYCLE NET REVENUE



Financial Summary Q3 2022:

Strong EBIT margin and continued revenue growth

SEK M	Q3-22	Q3-21	CHANGE	COMMENTS
Net revenue	55.0	48.8	12.8%	Net revenue growth of 12.8%, currency adjusted 7.3%. Adjusted for Samsung income in Q3-21, net revenue growth was 20.9%. Slower new user intake compensated by high renewal rates, uplift in ARPU and FX impact
Capitalized work	0.5	1.0	-49.7%	In Q3-22 a number of short-term product development initiatives to improve conversion rate was initiated to mitigate decline in downloads. It has resulted in temporarily fewer resources engaged with projects that are capitalized
Platform fees	-12.7	-11.2	13.1%	Stable development with continued decrease in relation to revenues due to Google fee decrease from 2022
Other external costs	-15.3	-19.6	-22.2%	Non-recurring items (NRI) was SEK 3.0m in Q3-21. Adjusted for NRI's, cost control explains lower OPEX in Q3-22
Staff costs	-12.6	-9.3	34.7%	Increase driven by hiring of new people to deliver on growth targets reaching 47 (37) FTEs in the quarter.
D&A	-1.4	-0.7	102.6%	Increase due to depreciation of intangible assets as certain projects are capitalized from 2021
EBIT	13.6	9.0	50.3%	EBIT improvement explained by NRI's in Q3-21 and improved cost control during FY22
Margin	24.7%	18.5%		
Adj. EBIT	13.6	12.0	13.0%	Increase fully explained by revenue growth. Q3-21 EBIT margin impacted by SEK 3.3m non-recurring engineering fee
Adj. margin	24.7%	24.6%		
Operating cash flow	7.6	7.6	-0.1%	Due to NRI's in FY21, the tax cost was low. Tax cost of SEK 3.0m (SEK 0.1m) explains lower relative cash flow in Q3-22
Liquidity at period end	222.8	145.1	53.6%	Positive results in combination with rights issue in conjunction with warrant conversion contributing SEK 16.6m in Q3-22

Financial Summary Jan-Sep 2022:

Stable revenue development and 38% EBIT growth

SEK M	Jan-Sep 22	Jan-Sep 21	CHANGE	COMMENTS
Net revenue	157.6	134.9	16.8%	Net revenue growth of 16.8%, currency adjusted 14.4%. Price adjustments and decline in downloads affected subscription growth negatively. Prices adjustments, renewal rates, and conversion rate contributed positively
Capitalized work	2.3	2.5	23.2%	From 2021, certain projects qualify for capitalization
Platform fees	-36.9	-32.4	14.0%	Stable development with continued decrease in relation to revenues due to Google fee decrease from 2022
Other external costs	-40.7	-72.1	-43.5%	Non-recurring items (NRI) was SEK 23.3m in Jan-Sep 2021. No NRI's during 2022. Increased marketing efficiency, better cost control and less use of consultants impacted OPEX in 2022
Staff costs	-39.4	-29.8	32.5%	Non-recurring items (NRI) was SEK 2.8m in Jan-Sep 2021. Adjusted for NRI, the increase in 2022 is driven by hiring across strategic areas reaching 46 (31) FTEs
D&A	-4.0	-1.0	311.8%	Increase due to depreciation of intangible assets as certain projects are capitalized from 2021
EBIT	39.1	2.3	1 603.6%	EBIT improvement explained by NRI's in Jan-Sep 2021 in combination with revenue growth and improved efficiency
Margin	24.8%	1.7%		
Adj. EBIT	39.1	28.4	37.9%	Increase and margin improvement explained by revenue growth and lower marketing expenses in Jan-Sep 2022
Adj. margin	24.8%	21.0%		
Operating cash flow	50.2	28.3	77.5%	In addition to improved EBIT, positive working capital changes from prepayment of subscriptions
Liquidity at period end	222.8	145.1	53.6%	Positive cash flows in combination with rights issue of SEK 95.4m in 2021 and of SEK 16.5m in 2022 (warrant conversion)

Outlook and focus areas

Growth

Continued stable revenue growth but headwinds from declining installs as well as seasonality impact in Q3. Several product releases and increased marketing investments are expected to impact sales and drive growth during coming periods. Revenue growth target is projected to be met on quarterly basis during FY23.

Profitability

Financial focus on growth over profitability and to deliver approximately 20% in long-term EBIT margin. Positive margin impact in Jan-Sep creates flexibility to ramp-up marketing investments while maintaining EBIT margin on or above target for full-year.

Organisation

Recruitments progressed according to plan with 47 employees as per 30 Sep 2022. Focus on leveraging organizational growth from 2021 to speed up R&D. Plan to strengthen capacity within product development and AI/data science teams with ca 5 new employees.

Opportunities

Launched partnership with corporate wellness provider Gympass during Q3. Ambition to expand Sleep Cycles presence on additional wellness platforms. Continued strong funnel of M&A opportunities. Ambition to increase investments and to deploy more resources to data, AI and sound analysis.

Q&A

Carl Johan Hederoth – CEO
Per Andersson - CFO





Thank you!