



INTERIM REPORT JUL-SEP 2023
25 OCTOBER 2023

SLEEP CYCLE



Sleep Cycle in brief

Sleep tracking built on proprietary machine learning technology and analysis of 2.5 bn nights of data

- ▶ By leveraging a massive amount of data, Sleep Cycle provides users with:
 - Insights and data about sleep
 - Functional features such as smart alarm
 - Tools for improved sleep
 - Detection of breathing disruptions, snoring etc
- ▶ Sleep Cycle is available on all common smart phones:
 - iOS, Android and Huawei phones
 - Apple, Samsung and Google smart watches
 - 13 languages
 - Over 2.1m users in more than 150 countries

SLEEP CYCLE IS MARKET LEADER FOR SLEEP TRACKING APPS



Summary Q3 2023

-3%

YoY subscription growth

16%

YoY ARPU growth

11%

YoY net revenue growth

34%

EBIT margin

887k

Subscriptions

SEK 276

ARPU

SEK 61.1m

Net revenue

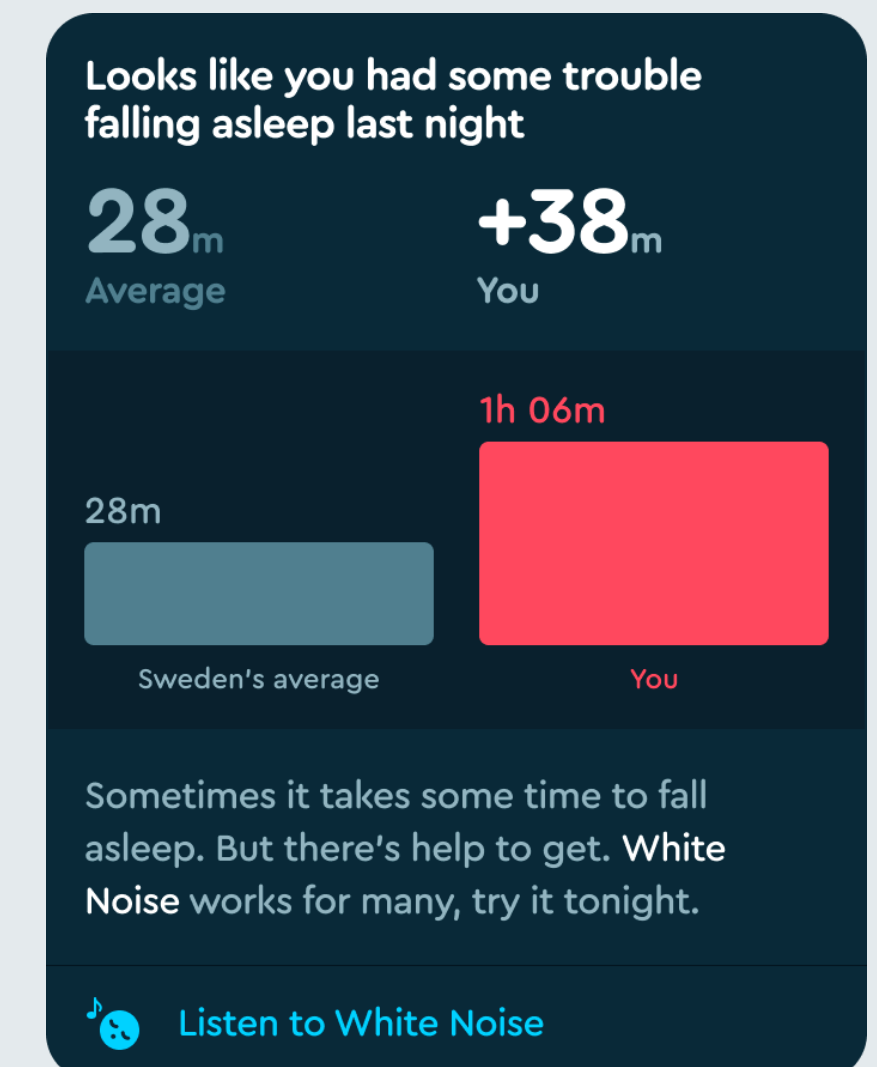
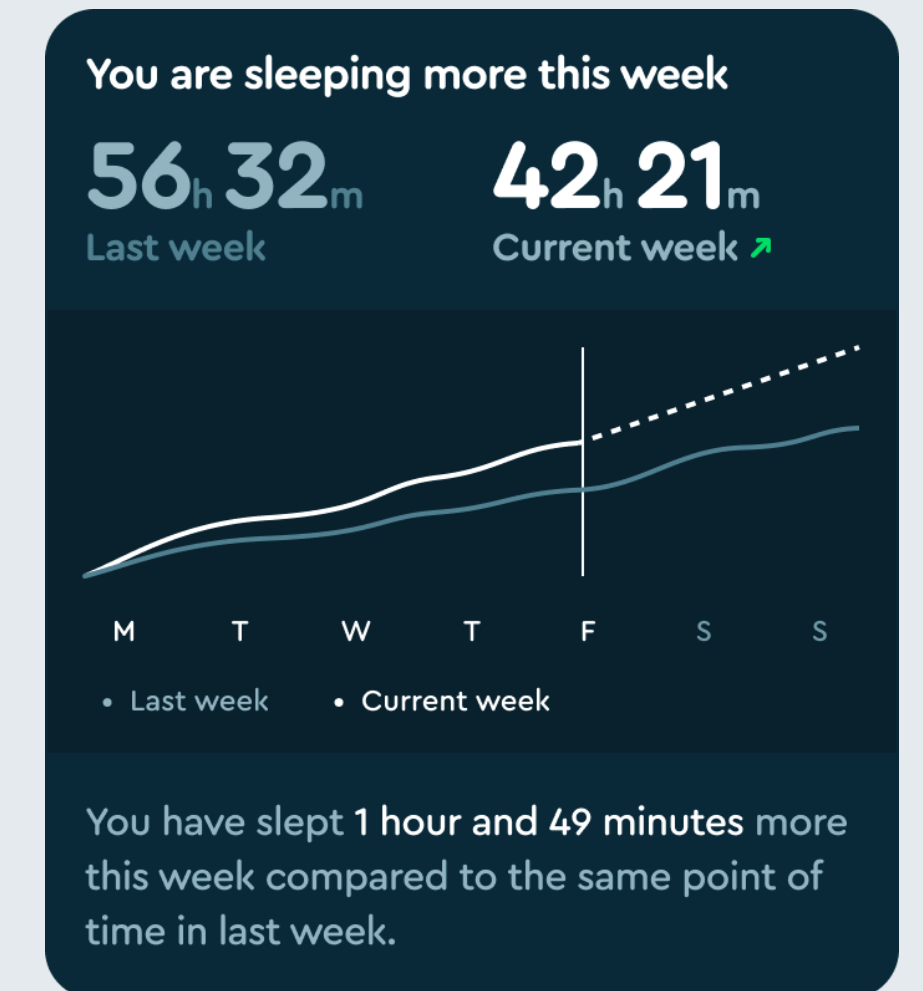
SEK 20.4m

EBIT

ME-tab; leveraging 2.5 bn nights of data and AI

A dynamic user experience presenting new analyses and insights from Sleep Cycles massive sleep data

- ▶ Built to present more engaging data, analyses and advice:
 - Deeper sleep analysis
 - New health metrics combining data retrieved from sleep tracking
 - Dynamic experience adapted to individual users
- ▶ Leveraging data for increased engagement and better user experience
 - Highlights the power of long data series creating a moat for continued use and retention
 - Differentiates Sleep Cycle from competition
 - Boosts user value by presenting more of Sleep Cycles features and functions



Financial Summary Q3 2023:

Cost efficient user acquisition resulting in record-high EBIT margin

SEK M	Q2-23	Q3-22	CHANGE	COMMENTS
Net revenue	60.1	55.0	11.1%	Net revenue growth of 11.1%, currency adjusted 2.6%. Due to accrual effects, the positive impact from subscription growth QoQ is not yet reflected while the growth vs LY was mainly driven by FX
Capitalized work	0.1	0.5	-86.2%	Total capitalization of development expenses were SEK 1.0m (SEK 1.5m LY) mainly related to continued development of the Kids app. From Q4-23 increased commercial and user acquisition focus on the Kids app
Platform fees	-13.7	-12.7	8.6%	Unchanged development with minor changes in mix between new/renew and between platforms
Other external costs	-10.8	-15.3	-29.1%	Cost efficient user acquisition resulting in subscription growth QoQ although lower marketing spending of SEK 4.3m (SEK 10.2m LY). Ca SEK 1.1m related to recruitment cost
Staff costs	-13.8	-12.6	10.1%	Staff costs impacted by ca SEK 3.5m in severance pay due to change of CEO. Underlying staff costs reduced from LY
D&A	-2.3	-1.4	66.8%	Increase due to depreciation of intangible assets and leasing of new office from Q2-23 (IFRS 16)
EBIT	20.4	13.6	50.6%	Significant EBIT growth due to full realization of efficiency program, despite costs for change of CEO in the quarter
Margin	33.5%	24.7%		
Adj. EBIT	20.4	13.6	50.6%	
Adj. margin	33.5%	24.7%		
Liquidity at period end	118.0	222.8	-47.1%	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 15.3m (6.3m)

Financial Summary 9m 2023:

Stable 9 month development despite subscription decline

SEK M	9m-23	9m-22	CHANGE	COMMENTS
Net revenue	175.7	157.6	11.5%	Net revenue growth of 11.5%, currency adjusted 2.2%. Negative subscription development and lower new user intake was offset by higher prices and FX
Capitalized work	1.1	2.3	-52.2%	Total capitalization of development expenses were SEK 4.9m (SEK 1.1m internal costs) mainly related to the Kids app
Platform fees	-39.4	-36.9	6.8%	Developed in line with sales
Other external costs	-40.0	-40.7	-1.8%	Exceptional items of SEK 0.4m in Jan-Sep 23. Additional use of consultants and purchase of professional services explain the increase vs LY. Marketing spending below LY
Staff costs	-46.8	-39.4	18.7%	Excluding NRI's of SEK 4.5m related to efficiency program in Q2-23, the increase is driven by severance pay
D&A	-6.2	-4.0	55.8%	Increase due to depreciation of intangible assets and leasing of new office from Q2-23 (IFRS 16)
EBIT	44.3	39.1	13.3%	EBIT development in line with revenue growth, absorbing increased costs from efficiency program and severance pay
Margin	25.2%	24.8%		
Adj. EBIT	49.1	39.1	25.5%	Adjusted for exceptional items, underlying profitability is stable and increases with revenue growth
Adj. margin	27.9%	24.8%		
Liquidity at period end	118.0	222.8	-47.1%	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 36.3m (48.0)

Outlook and focus areas

▶ **Growth**

Total amount of subscribers grew quarter-by-quarter in Q3, and broke previous negative trend, through a combination of commercial and product initiatives. Continued positive momentum expected, supported by strong product plan, iOS 17 exposure and improved conversion rates.

▶ **Profitability**

Cost efficiency program from Q2 was fully implemented in Q3, but margins were negatively impacted by costs for change of CEO. EBIT margin for coming quarters are expected above 30% with continued focus on cost efficient user acquisition, improvement of the offering as well as new product launches.

▶ **Organisation**

New CEO, Erik Jivmark, joins 1 November bringing with him extensive commercial and digital experience to support further growth of Sleep Cycle. No major changes planned to number of employees for the remaining part of FY23. Continued focus on core product development with limited organizational growth in coming periods.

Q & A

Per Andersson – Acting CEO & CFO





Thank you!