



# Q4

## Earnings Presentation

Sleep Cycle Year End Report 2023

8 February 2024

Erik Jivmark – CEO

Per Andersson – CFO

# Sleep Cycle in brief

Sleep tracking built on proprietary AI technology and analysis of 3 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, coughing etc

Sleep Cycle is available on all common smart phones:

- iOS, Android and Huawei phones
- Apple, Samsung and Google smart watches
- Over 2.1m users in more than 150 countries
- More than 1 million active users per night
- 13 languages



# Summary Q4 2023

-1%

YoY subscription growth

12%

YoY ARPU growth

11%

YoY net revenue growth

21%\*

EBIT margin

893k

Subscriptions

272

ARPU (SEK)

61.3m

Net revenue

12.7m\*

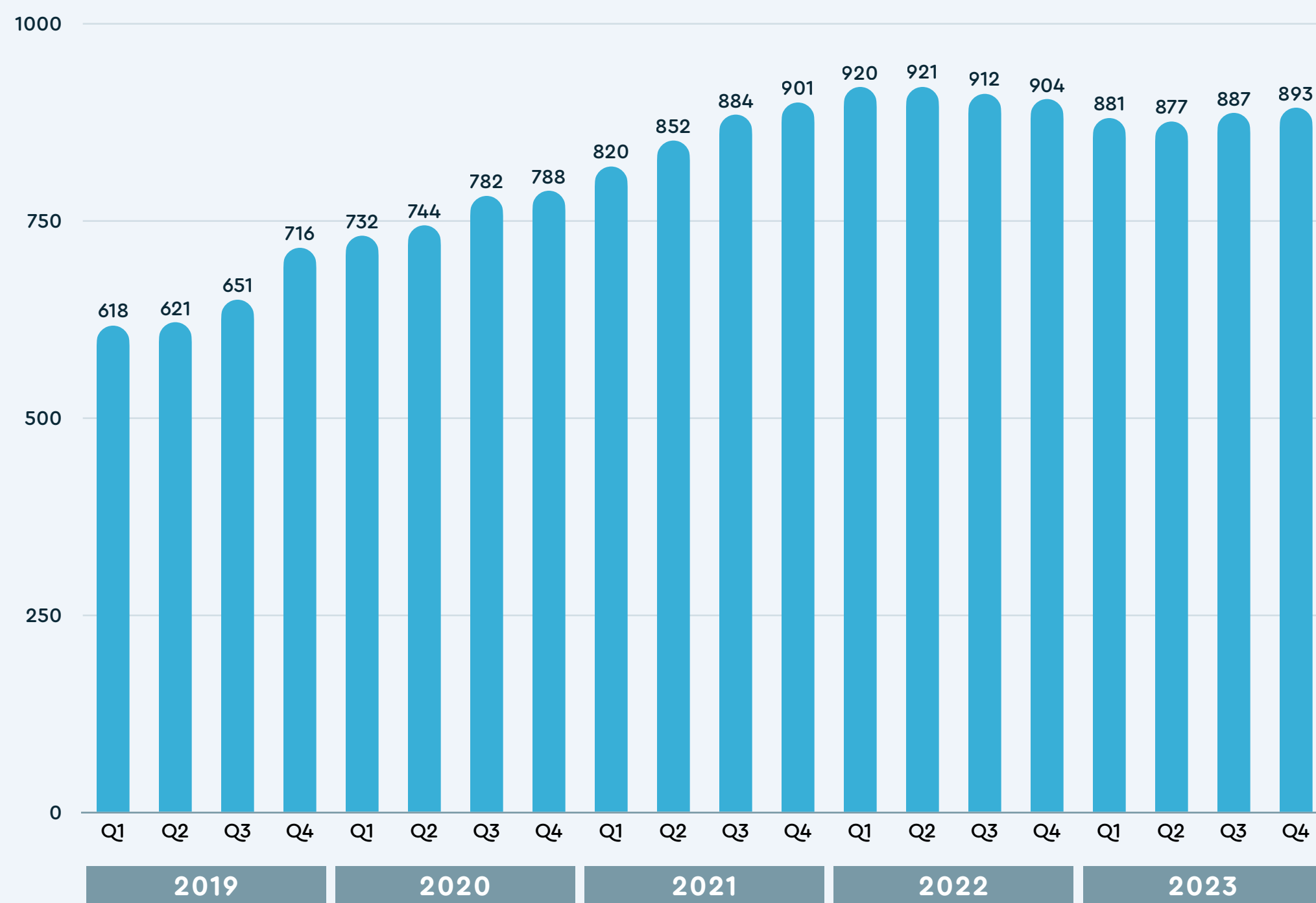
EBIT (SEK)

\* Excluding SEK 6.3m write-down EBIT was SEK 18.9m and the margin was 31%

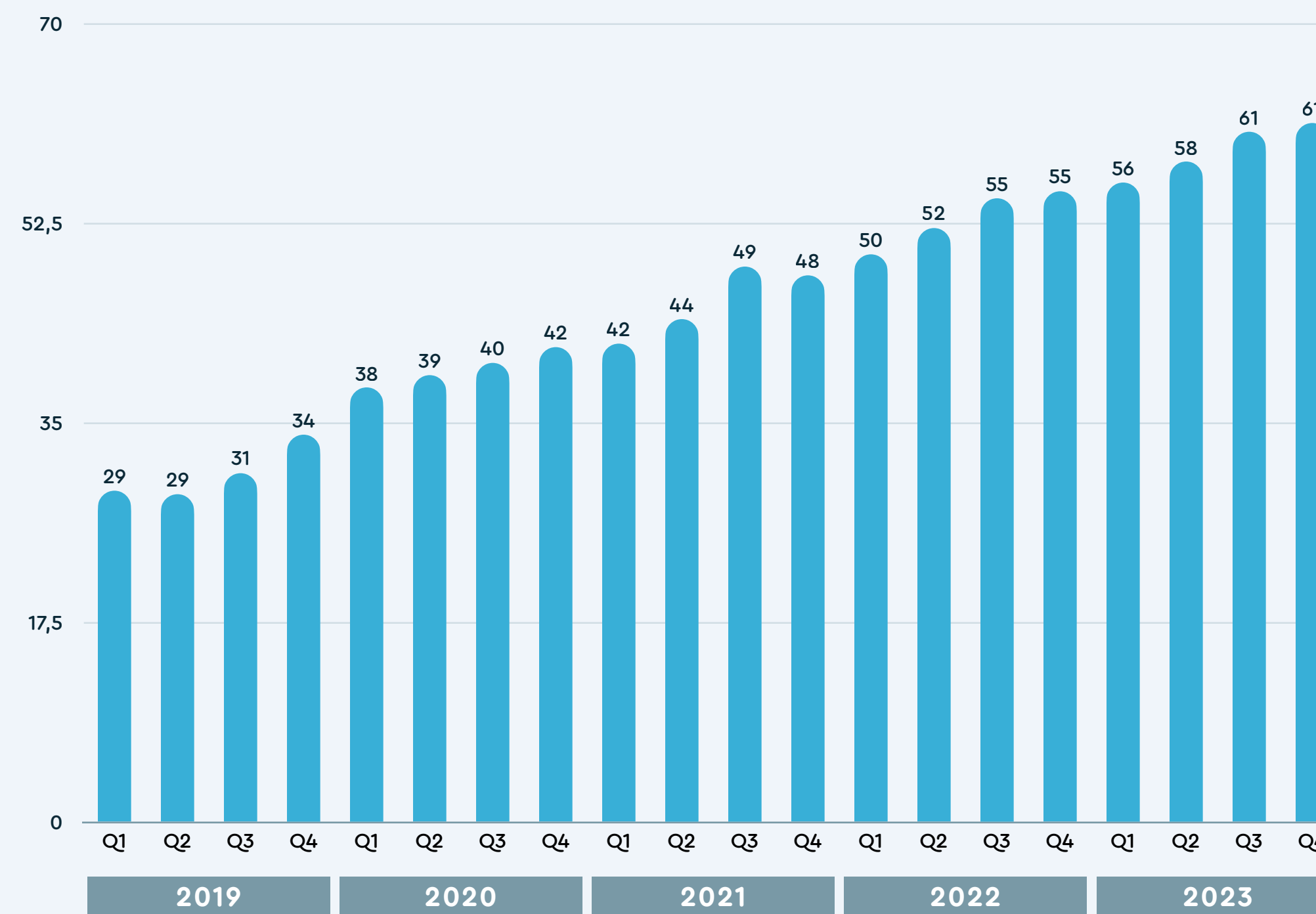
# Continued subscription growth

Although not yet reflected in revenue increase quarter-over-quarter due to accrual effects

Sleep Cycle total subscriptions (# '000)



Sleep Cycle net revenue (SEK million)



# Cough Radar

Shows the potential in our aggregated global data

Audio stream from million nightly users:

- Real-time, Global and with Local position

Visualize coughing trends at:

- Any position in the world\*
- Any zoom level, from city block to continent
- Any point in time

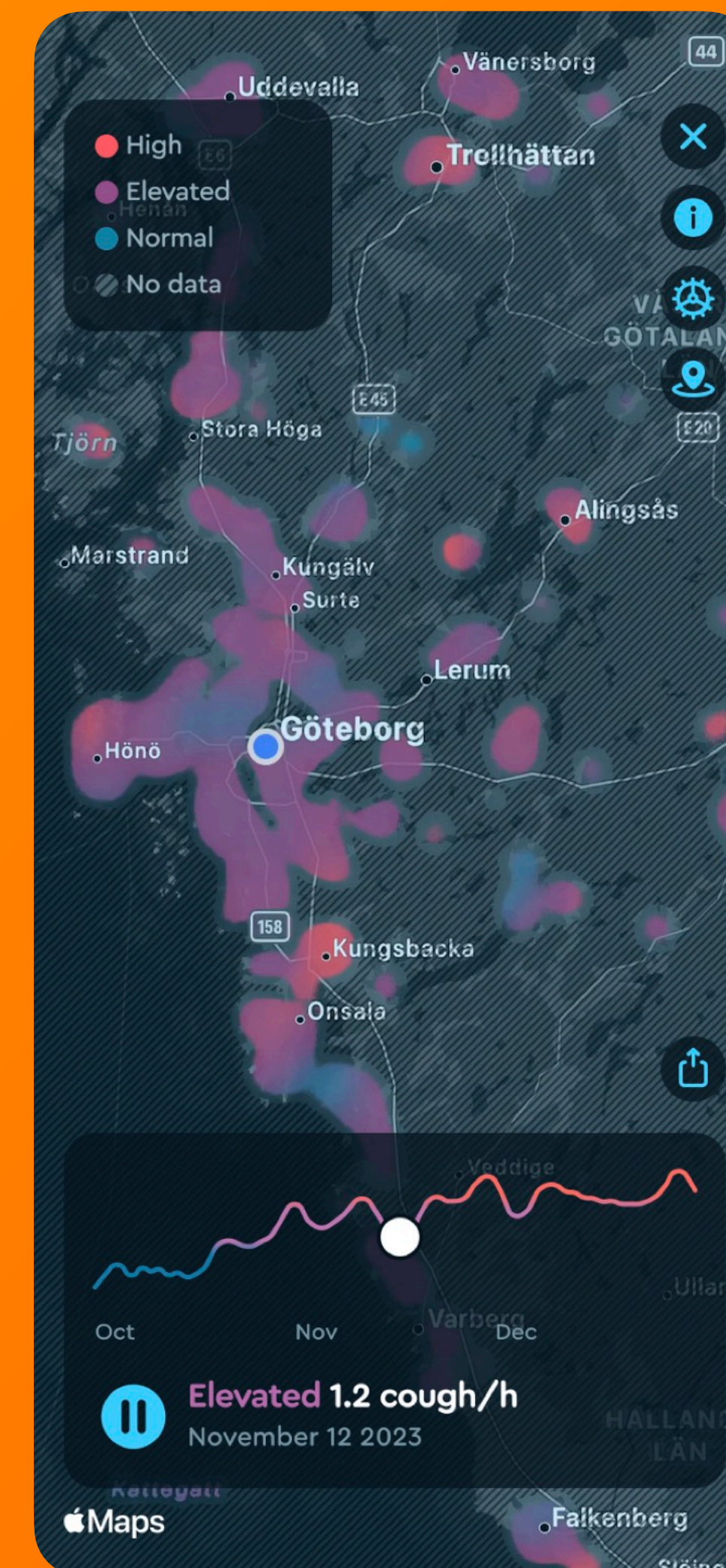
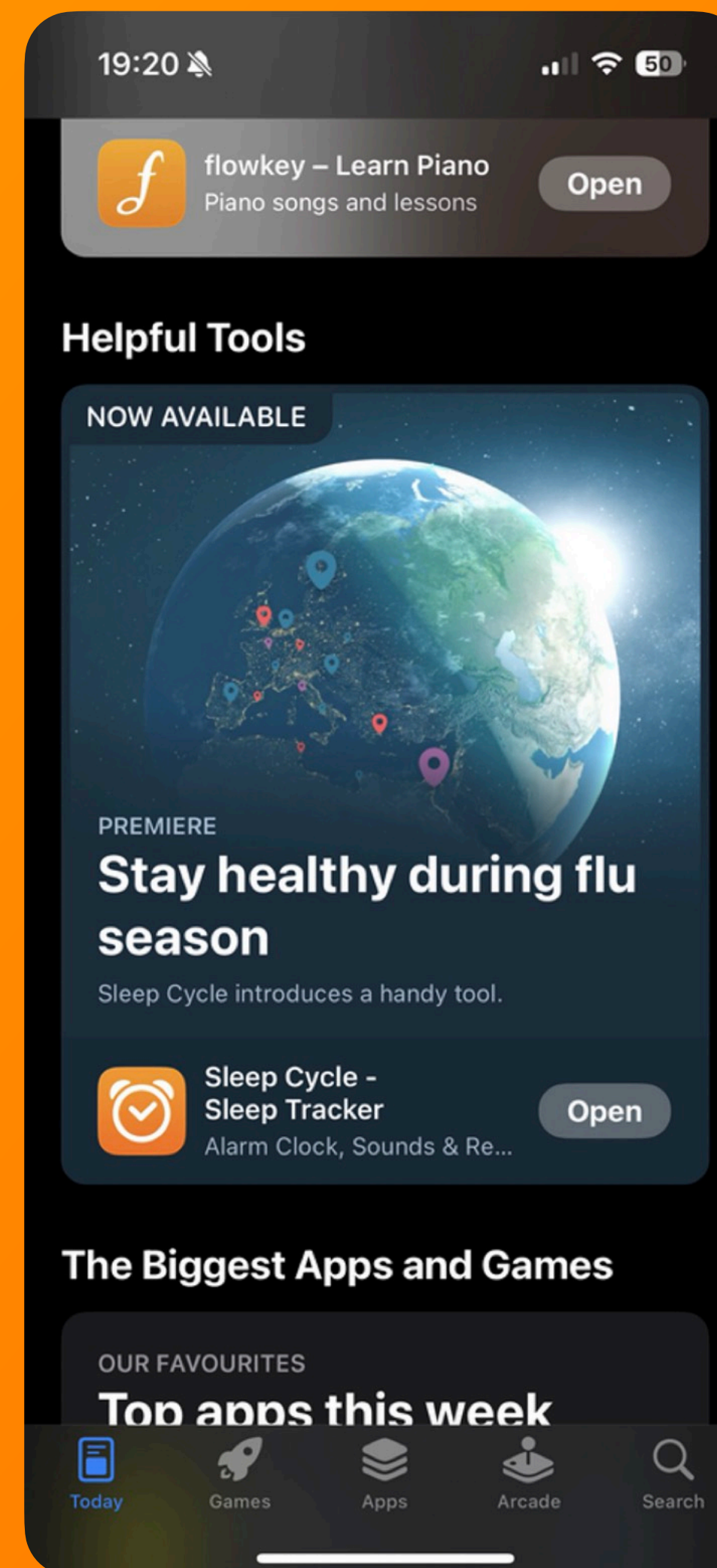
Helps the user to:

- Make health conscious decisions in their everyday life
- Share unique insights of coughing trend to friends, family, colleagues and more.

And it is getting noticed organically

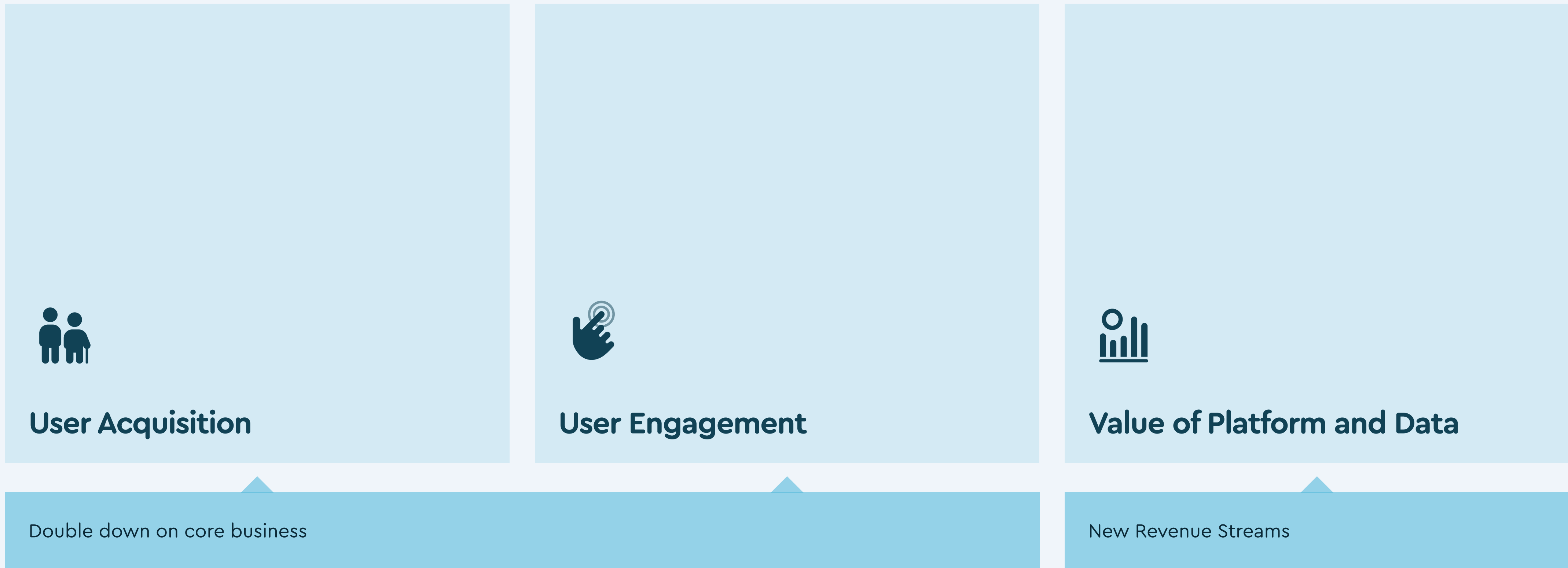
- Picked up in media in the US and shared on social media with more than 3 million views
- Featured by Apple app store with more than 9 million impressions
- Even in Beta more than 350 000 unique users have interacted which speaks to the potential

\* Where data density allows



# Our focus areas

The building blocks of the future strategy to accelerate growth



FINANCIAL SUMMARY Q4 2023:

# Strong margin growth

Despite write-down and VAT adjustment

SEK M	Q4-23	Q4-22	CHANGE	COMMENTS
<b>Net revenue</b>	<b>61.3</b>	<b>55.4</b>	<b>10.6%</b>	Net revenue growth of 10.6%, currency adjusted 5.7%. Net revenue has been reduced SEK 0.3m in Q4-23 and SEK 0.3m in Q4-22 to reflect VAT liability. Subscription growth in 2H-23 not yet visible due to accrual of revenues
Capitalized work	0.0	0.9	-99.2%	No capitalization of development projects during Q4-23 following decision to terminate Sleep Cycle Kids
Platform fees	-14.2	-12.8	-10.9%	Unchanged development with minor changes in mix between new/renew and between platforms
Other external costs	-13.1	-22.7	42.0%	Lower OPEX in Q4-23 due to less marketing and limited use of external consultants compared with LY. Q3-23 affected by SEK 2.8m in non-recurring costs related to public offer
Staff costs	-12.7	-14.8	14.1%	Staff costs reduced vs LY because of fewer employees due to cost efficiency program implemented in Q2-23
D&A	-8.7	-1.3	-577.2%	Increase due to depreciation of intangible assets and leasing of new office from Q2-23 (IFRS 16). Q4-23 affected by write-down of SEK 6.3m related to termination of Sleep Cycle Kids
<b>EBIT</b>	<b>12.7</b>	<b>4.5</b>	<b>178.9%</b>	Significant EBIT growth due to full realization of efficiency program and continued revenue growth, despite write-down of immaterial assets and adjustment for VAT liability
Margin	20.7%	8.2%		
<b>Adj. EBIT</b>	<b>12.7</b>	<b>7.4</b>	<b>72.6%</b>	
Adj. margin	20.7%	13.3%		
<b>Liquidity at period end</b>	<b>133.5</b>	<b>232.9</b>	<b>-50.6%</b>	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 16.4m (13.5m)

## FINANCIAL SUMMARY 2023:

# Revenue growth with solid margin expansion

SEK M	FY-23	FY-22	CHANGE	COMMENTS
<b>Net revenue</b>	<b>236.1</b>	<b>212.0</b>	<b>11.4%</b>	Net revenue growth of 11.4%, currency adjusted 3.1%. Negative subscription development was offset by higher prices and FX. Net revenue has been reduced SEK 1.1m in FY23 and SEK 1.2m in FY22 to reflect VAT liability.
Capitalized work	1.1	3.2	-65.7%	Less capitalization of costs in FY23 due to a smaller organization and increased focus on core product development
Platform fees	-53.6	-49.7	-7.8%	Developed in line with sales
Other external costs	-53.1	-63.4	16.2%	Higher efficiency, improved cost control and less marketing spending explains the difference. SEK 2.8m in non-recurring costs FY22 related to public offer
Staff costs	-59.5	-54.2	-9.8%	Excluding NRI's of SEK 4.5m related to efficiency program in Q2-23 and costs related to change of CEO, staff costs decreased FY23 due to a decreased organization
D&A	-14.9	-5.3	-182.4%	Increase in FY23 due to depreciation of intangible assets, leasing of a new office in Gothenburg from Q2-23 (IFRS 16) and write-down of Sleep Cycle Kids
<b>EBIT</b>	<b>56.6</b>	<b>42.8</b>	<b>32.2%</b>	EBIT improved well FY23 vs FY22 despite increased staff costs related to exceptional events and write-down
Margin	24.0%	20.2%		
<b>Adj. EBIT</b>	<b>61.4</b>	<b>45.6</b>	<b>34.7%</b>	Adjusted for exceptional items, underlying profitability improved well leveraging revenue growth with stable cost
Adj. margin	26.0%	21.5%		
<b>Liquidity at period end</b>	<b>133.5</b>	<b>232.9</b>	<b>-50.6%</b>	Dividend of SEK 141.9m was paid following AGM in May. Cash flow from operation was SEK 52.7m (61.5m)



# Outlook



## Growth

Continued positive subscription growth trend in Q4 is fuelled by focus on product driven growth and cost efficient user acquisition. Updated strategy to be presented in Q1-24, focusing on additional actions and strategic initiatives to drive increased revenue growth.



## Profitability

EBIT margin excluding write-down of 31% in Q4 demonstrating operational efficiency and cost efficient user acquisition. Focus on delivering adjusted EBIT-margin in similar range going forward although increased revenue growth rate as part of updated strategy. Expected non-recurring costs in Q1-24 due to re-organization but with neutral effect on full-year basis.



## Organisation

Sleep Cycle will consolidate into one office during Q1-24 to improve efficiency and transform for increased growth. All employees were offered to relocate. Ten employees have declined to relocate. Recruitment for some of the vacant positions will start while the majority of marketing will be outsourced to an external part reducing total headcount but with neutral cost impact.



# Q&A

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