

# Beter Bed Holding

Global Markets  
Equity Research

Specialty Retail / The Netherlands

COMING SOON

**EXTEL 2019 SURVEY**  
 11th March - 12th April

**EXTEL**<sup>®</sup>  
 AN INSTITUTIONAL INVESTOR COMPANY

## Not losing sleep over EBIT miss in transitional 2018

05 March 2019

### BUY

Target Price (12m):	EUR 9.00
Price (04-March-19):	EUR 4.86
Exp. Performance:	+85.2%
Exp. Dividend Yield:	+0.0%
Exp. Total Return:	+85.2%

#### Analysts

**Robert Jan Vos**  
 +31 20 343 75 79  
 robertjan.vos@nl.abnamro.com

**Eric Wilmer**  
 +31 20 629 1459  
 eric.wilmer@nl.abnamro.com

Beter Bed's 2018 results showed operational leverage at work. Although operating expenses were rebased to a level we had foreseen, reported EBIT fell short versus our forecast, which could be attributed to a lower gross profit contribution than expected. One-off issues, for example, the inventory sell-out in Germany, as well as product mix and commercial actions, led to the gross profit margin drop in 2018. Beter Bed's commercial initiatives to improve sales growth look promising, but the next test is the 1Q19 trading update. Management repeated its mid-term objectives, and 2019 should show progress towards these goals, in our view. We expect Beter Bed to stay within debt covenants in 1H19 (and 2019). We cut our 2019-2020 estimates, and we expect it to take a bit longer to achieve the mid-term goals. We lower our DCF-based target price to EUR 9 (from EUR 10/sh), but we expect the shares to re-rate materially in the next 12 months. We reiterate our Buy recommendation.

#### Gross profit contribution the culprit in 2018

Beter Bed's EBIT(DA) came in lower than expected, explained by a lower gross profit contribution than our forecast (sales were already reported earlier, on 18 January 2019). This illustrates, in our view, the operational leverage (ie, high fixed costs) embedded in the group's business model. Needless to say, operational leverage can also go the other way around.

#### Restructuring fully completed, all eyes now on sales progression

Beter Bed's restructuring was completed in 2018. The cost base was reset by EUR 15m, with still EUR 10m in additional savings left for 2019. The next test is sales progression, and the first data point is scheduled for coming 18 April (1Q19 update). Beter Bed reconfirmed its mid-term objectives of, among others, 4-5% sales growth per year and 7-9% EBITDA profitability.

#### TP cut to EUR 9 (from EUR 10/sh); Buy reiterated

We cut our target price to EUR 9 from EUR 10/share, which can be attributed to our updated DCF. We expect Beter Bed to achieve its mid-term objectives, but we expect it to take longer than previously assumed before these goals are met. We reiterate our Buy recommendation, and believe the shares can re-rate materially in the foreseeable future.

Fundamentals	
Market Cap (EURm)	107
Average Daily Volume (EURm)	0.4
Number of Shares (m)	22.0
Free Float (%)	66.0
52 Week High (EUR)	10.5
52 Week Low (EUR)	3.38
3 Month Performance (%)	10.0
6 Month Performance (%)	(9.5)
12 Month Performance (%)	(54.6)
Reuters Symbol	BETR.AS
Bloomberg Symbol	BBED NA
Website	www.beterbedholding.com

Source: Factset, ABN AMRO Equity Research

Year To December	2017	2018	2019E	2020E	2021E
Sales (EURm)	416	396	395	414	432
EBITDA (EURm)	27.3	(7.5)	15.9	23.8	27.2
EBIT (EURm)	14.4	(23.7)	2.0	10.0	13.4
EPS (fully diluted EUR)	0.55	(0.71)	0.02	0.30	0.42
DPS (EUR)	0.37	0	0	0.15	0.25
EV / EBITDA (x)	9.9	958.7	7.5	4.8	3.9
EV / EBIT (x)	17.7	n/m	59.5	11.3	8.0
P/E (fully diluted x)	24.3	(5.1)	n/m	16.4	11.5
Equity FCF Yield (%)	(2.0%)	(21.9%)	4.0%	7.7%	10.0%
ROCE (%)	15.9%	(19.3%)	2.9%	13.9%	17.2%
Net Debt / EBITDA (x)	(0.0)	168.3	0.8	0.3	0.0

Source: Factset, ABN AMRO Equity Research

## Gross profit contribution lower than our forecast in 2018

The table below highlights Beter Bed's 2018 results compared with our estimates. We note that Beter Bed already reported its 2018 sales figures on 18 January. The reason why our sales estimate differs from the reported number is that we used net reported sales including the Spanish operations (EUR 6.3m in sales), while Beter Bed reported its results excluding the Spanish operations.

Figure 1: Beter Bed 2018 results vs ABN AMRO expectations (EUR m)

	2017	2018e	2018
Sales	416.4	402.8	396.3
Cost of sales	(176.9)	(175.8)	(175.4)
Gross profit	239.5	227.0	220.9
Gross profit margin (%)	57.5	56.4	55.7
Wage and salary costs	(108.3)	(112.2)	(110.3)
Depreciation & Amortisation	(11.1)	(17.2)	(16.2)
Other operating expenses	(104.0)	(115.7)	(118.2)
Total operating expenses	(225.1)	(245.1)	(244.6)
EBIT	14.4	(18.1)	(23.7)
EBITDA	27.3	(0.9)	(7.5)
Normalised EBITDA	29.3	6.0	0.6
Normalised EBITDA margin (%)	7.0	1.5	0.2
Capex	21.0	15.0	16.4
Capex as percentage of sales (%)	5.1	3.7	4.1
Net debt (cash)	(0.2)	12.2	16.8
Net debt/normalised EBITDA (x)	cash	3.9	26.9

Source: Beter Bed, ABN AMRO Equity Research

Beter Bed's group EBIT and EBITDA came in lower than our forecasts, which can be attributed to a lower gross profit than we had forecast. The group's operating expenses came in as expected, with slightly lower-than-forecast personnel expenses offset by slightly higher-than-estimated other operating expenses (ie, lease expenses plus selling & distribution expenses). Operating expenses included EUR 7.6m in one-off costs related to the Matratzen Concord restructuring. The restructuring was fully completed (and expensed) in 2018.

Beter Bed mentioned several reasons for the drop of 200bp in its gross profit margin. Country mix (strong Benelux growth versus a decline at Matratzen Concord), impacted overall group gross profit. Furthermore, the growth of online sales, especially in new categories, also impacted gross profit negatively (online sales increased to 5% of group sales in 2018 from 4% of group sales in 2017). Also, gross profit of the continuing business decreased, as some aggressive commercial interventions were already taken, while the measure to compensate cost of goods will only materialise in the course of 2019. Although part of the gross profit margin decrease (for example, attributed to the one-off sell-out of the Matratzen Concord stores that were closed in 4Q18) can be considered non-structural, the direction of Beter Bed's gross profit margin going forward is difficult to forecast. For 2019, we expect a further (modest) decrease in Beter Bed's gross profit margin to 55.3%, the balance between expected further negative mix effects and targeted COGS savings of EUR 3.5-4.5m.

Beter Bed's net debt of EUR 16.8m at end-2018 was EUR 4.6m higher than our forecast of EUR 12.2m. The delta can mainly be attributed to the shortfall in operating cash flow (ie, EBITDA). The group's amended absolute EBITDA loan covenant was met (not disclosed), but as from the next measuring date (30 June 2019), the old net debt/EBITDA covenant of 2.5x maximum will be used again. Net working capital dropped to EUR 34.3m in 2018 from EUR 38.1m reported in 2017. Management sees room to lower working capital further by at least 25% (we assume another EUR 8m working capital reduction in 2019-2021). Gross capital expenditures were EUR 17.3m in 2018. The freeze instigated as per 2H18 is set to continue until mid-2019. Consequently, management expects 2019 capex to be materially lower than EUR 17m (we assume EUR 13m). For beyond 2019, the ambition is to have capex equivalent to 3-4% of sales.

## Cost savings on track to reach EUR 25m by 2020

With the restructuring completed, Beter Bed lowered its cost base by EUR 15m in 2018. The restructuring was executed towards the very end of 4Q18, and, consequently, the full effect of these savings should be noticeable as from 2019 (obviously netted for lost gross profit contribution from the downsizing of Germany and the disposal of the Spanish operations). Moreover, an incremental EUR 6.0-9.5m in cost savings should be realised in the current fiscal year 2019, of which the full effect should be noticeable as from 2020. The table below highlights the overview of the cost savings ambitions, the realised cost savings, and the pending cost savings for 2019.

Figure 2: Beter Bed overview of targeted EUR 25m in cost savings (EUR m)

Cost line	Ambition 2020	Delivered as part of 2018 restructuring	Savings 2019	Realised to date (as % of 2019 plans)
COGS	6.0-8.0	0.0	3.5-4.5	40-50
Operating expenses	11.0-13.0	8.3	1.5-2.5	50-60
Productivity	5.0-6.0	4.2	1.0-2.0	45-55
Organizational structure	3.0-4.0	2.5	0.0-0.5	90-100
<b>Total</b>	<b>&gt;25</b>	<b>15.0</b>	<b>6.0-9.5</b>	<b>45-55</b>

Source: Beter Bed, ABN AMRO Equity Research

## First update on effect of commercial initiatives in 1Q19

The (fixed) cost base is now reset to structurally lower levels. For the current fiscal year 2019, we estimate Beter Bed's total operating expenses (so excluding further one-off expenses and taking into consideration EUR 15m in cost savings already realised in 2018) at around EUR 217m. However, Beter Bed's 2018 results showed that the gross profit contribution is crucial and can easily lead to material swings (both ways) in EBIT(DA). Hence, top-line performance and the gross profit margin are very important going forward. Examples of new commercial initiatives to drive the top line are: 1) a more focused value-for-money assortment (in mattresses and box springs), 2) innovations (ie, the first 0% waste mattress, the Element concept), 3) new price strategies (Black Friday, Cyber Monday, VAT free week), 4) improved advice (from sales people to the best sleep advice across channels), and 5) omni-channel (very promising acceleration of online sales). With many of these initiatives or new products only launched very recently (or in the process of being launched), it is too early days to draw conclusions. Hence, we will have to wait until 18 April 2019 (sales-only 1Q19 trading update) to see initial evidence of the yield of these initiatives.

## Net debt/EBITDA covenant should be fine for 30 June 2019

For 2018, Beter Bed worked with an amended (not disclosed) absolute EBITDA covenant for its debt. As from 2019, the old covenant is in place again, implying that net debt/EBITDA should be below 2.5x as per 30 June 2019. The table below highlights our 1H19 cash flow forecasts.

Figure 3: Beter Bed cash flow statement 1H17 and 1H18 and ABN AMRO forecasts 1H19 (EUR m)

	1H17	1H18	1H19e
Sales	209.8	201.6	199.6
Gross profit	120.6	113.6	110.2
Operating expenses	(103.1)	(114.5)	(103.0)
<b>EBITDA</b>	<b>17.5</b>	<b>(0.9)</b>	<b>7.2</b>
Change in working capital	(7.7)	(2.7)	(2.0)
Change in provisions	0.1	0.2	0.0
Net investments	(9.9)	(11.6)	(4.5)
<b>Gross operating free cash flow</b>	<b>0.1</b>	<b>(15.0)</b>	<b>0.7</b>
Cash taxes	(6.3)	1.7	0.2
<b>Net operating free cash flow</b>	<b>(6.3)</b>	<b>(13.3)</b>	<b>0.9</b>
Net Interest	(0.1)	(0.4)	(0.8)
Dividend	(8.8)	(0.7)	0.0
Change in debts	0.0	0.0	0.0
Change in equity	0.0	0.0	0.0
<b>Change in cash balance</b>	<b>(15.1)</b>	<b>(14.4)</b>	<b>0.1</b>
<b>Net debt (cash)</b>	<b>(6.6)</b>	<b>14.3</b>	<b>16.8</b>
<b>Net debt/EBITDA (x)</b>	<b>cash</b>	<b>1.3</b>	<b>1.9</b>

Source: Beter Bed, ABN AMRO Equity Research

As highlighted, we expect Beter Bed to remain within its covenant of 2.5x as per 30 June 2019. However, a miss on gross profit contribution, which could be caused by disappointing top-line growth as well as by gross profit margin pressure, can easily lead to lower-than-expected EBITDA and cash flow. Because of Beter Bed's relatively high fixed cost base, operational leverage can be material, and this impact can go both ways obviously.

### Mid-term objectives set maintained

For the mid-term, which Beter Bed defines as two-to-four years as of 2018, the group kept its objectives set unchanged:

- Sales growth ambition of 4-5% per year;
- EBITDA margin ambition of 7-9% of sales;
- online sales penetration of 20% of total sales;
- EUR 25m cost savings by 2020;
- capital expenditures of 3-4% of sales, shifting to digital and IT;
- net working capital reduction of 25%;
- dividend pay-out ratio of minimum 50%, if financials are sufficient.

For 2019, Beter Bed is convinced that all elements are in place to recover to profitable growth, and 2019 will be the year in which first steps of the new strategy will be visible for customers. From a financial perspective, Beter Bed will start growing gradually towards the mid-term ambitions as presented at the Capital Markets Day.

### Changes to our estimates

The table below highlights our previous and new estimates for Beter Bed for 2019 and 2020. Moreover, we introduce our 2021 estimates as well. We keep our top-line growth estimates virtually unchanged, but we cut our EBIT and net profit estimates materially, the result of an anticipated slower recovery to EBITDA profitability of 7-9% than in our previous estimates. More specifically, we expect it to take two years longer (in 2022 versus in 2020 previously) before Beter Bed can achieve EBITDA profitability of at least 7%.

Figure 4: Beter Bed previous and new estimates ABN AMRO 2019-20e (EUR m)

	2019e	2020e	2021e
<b>Previous estimates</b>			
Sales	396.0	415.0	-
EBIT	10.0	16.0	-
Net profit	7.0	11.0	-
EPS (EUR)	0.30	0.49	-
Dividend (EUR)	0.00	0.24	-
<b>New estimates</b>			
Sales	395.4	413.6	432.1
EBIT	2.0	10.0	13.4
Net profit	0.4	6.5	9.3
EPS (EUR)	0.02	0.30	0.42
Dividend (EUR)	0.00	0.15	0.25
<b>Difference (%)</b>			
Sales	(0.2)	(0.3)	-
EBIT	(80.0)	(37.3)	-
Net profit	(94.9)	(41.0)	-
EPS (EUR)	(94.6)	(39.6)	-
Dividend (EUR)	na	(37.5)	-

Source: ABN AMRO Equity Research

### DCF: EUR 9/sh

The table below shows our DCF analysis for Beter Bed. We use a three-stage DCF model. In the first 10 years, we make full P&L, cash flow, and balance sheet forecasts. In the second 10 years, we make forecasts for growth in invested capital, and we assume return on capital to decrease, albeit to a level that is still higher than the WACC. In the last stage of our model, we assume invested capital growth phases out to zero, and we expect return on capital to

phase out to a level that is equal to WACC, implying that economic profit equals zero and that net operating cash flow just covers WACC times invested capital at the end of the third stage. The advantage of a DCF-based valuation is that it enables us to take into account all cash flow effects from a restructuring.

Figure 5: Beter Bed DCF analysis (EUR m)

	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Sum PV post 2028e
Sales	395	414	432	450	471	492	514	535	555	575	
Sales growth (%)	(0.2)	4.6	4.5	4.2	4.6	4.6	4.5	4.0	3.7	3.7	
Normalised EBIT	2	10	13	17	22	26	31	35	39	41	
EBIT margin (%)	0.5	2.4	3.1	3.8	4.6	5.4	6.1	6.6	7.1	7.2	
Taxation	(0.5)	(2.6)	(3.5)	(4.5)	(5.6)	(6.9)	(8.1)	(9.2)	(10.2)	(10.7)	
Nopat	1	7	10	13	16	19	23	26	29	31	
Invested capital	67	62	59	58	58	60	62	64	67	69	
Growth invested capital (%)	(7.6)	(4.2)	(2.2)	0.6	3.1	3.4	3.6	3.6	3.5	7.4	
ROIC (%)	2.2	12.0	16.8	21.9	27.5	32.5	37.2	40.6	43.6	44.3	
Depreciation and amortisation	14	14	14	14	15	15	16	16	17	18	
Change in working capital	3	2	3	0	0	0	0	0	0	0	
Change in provisions	0	0	0	0	0	0	0	0	0	0	
Net investments	(13)	(14)	(15)	(16)	(16)	(17)	(18)	(19)	(19)	(26)	
Net operating cash flow	5	9	11	11	14	18	21	24	27	23	
Calendarised net operating cash flow	6	10	11	12	15	18	22	25	26	24	
Mid-year adjusted discount factor (x)	0.96	0.88	0.80	0.74	0.67	0.62	0.57	0.52	0.47	0.43	
Present value	6	8	9	9	10	11	12	13	12	10	116
Invested capital	67	62	59	58	58	60	62	64	67	69	
ROIC (%)	2.22	12.04	16.83	21.92	27.53	32.53	37.19	40.62	43.59	44.33	
WACC (%)	9.17	9.17	9.17	9.17	9.17	9.17	9.17	9.17	9.17	9.17	
Return spread (ROIC-WACC) (%)	(7.0)	2.9	7.7	12.7	18.4	23.4	28.0	31.4	34.4	35.2	
Economic Profit	(5)	2	5	7	11	14	17	20	23	24	
Calendarised Economic Profit	(4)	2	5	8	11	15	18	21	23	24	
Mid-year adjusted discount factor (x)	0.96	0.88	0.80	0.74	0.67	0.62	0.57	0.52	0.47	0.43	
Present value	(3)	2	4	6	8	9	10	11	11	11	84

Source: ABN AMRO Equity Research

The table below shows the input variables used for and the output of Beter Bed's DCF analysis. We use an unleveraged beta of 1.08x and a terminal growth rate of zero, and we stress that the impact of our terminal growth rate is limited as it is applied to cash flows in the very distant future. The WACC we use for Beter Bed is 9.2%. The Nopat-based outcome of our DCF analysis is EUR 9.1/share. Beter Bed is currently trading at a discount of 47% to DCF.

Figure 6: Beter Bed input variables and outcome DCF analysis (EUR m)

Input variables (%)		Output (EUR m)		Output Economic Profit	
Risk free rate	2.5	Sum present value FCF 2019-28e	101	Sum present value Economic Profit 2019-28e	67
Unleveraged beta (x)	1.08	Sum present value FCF 2029-38e	81	Sum present value Economic Profit 2029-38e	70
Debt / EV	20	Sum present value FCF 2039-48e	25	Sum present value Economic Profit 2039-48e	15
Tax rate	26.0	Present value terminal value	10	Opening Invested Capital	67
Leveraged beta (x)	1.28	Enterprise value	217	Enterprise value	218
Equity risk premium	6.5	Net cash (interest bearing debt)	(16)	Net cash (interest bearing debt)	(16)
Spread (bp)	100	Pension surplus (deficit)	0	Pension surplus (deficit)	0
Cost of equity	10.8	Minorities and participations	0	Minorities and participations	0
Pre-tax cost of debt	3.5	Equity value	201	Equity value	202
WACC	9.17	Number of shares (m)	22.0	Number of shares (m)	22.0
Terminal growth	0.0	Value per share (EUR)	9.1	Value per share (EUR)	9.2

Source: ABN AMRO Equity Research

## Investment conclusion - Buy reiterated

Based on Beter Bed's very specific situation of two transitional years, we use DCF to determine our target price for Beter Bed. Based on our updated DCF/share outcome, we lower our target price to EUR 9 from EUR 10/share, mainly reflecting a slower-than-previously expected recovery to a 7-9% EBITDA profitability, and a slightly higher net debt position at year-end 2018.

Although we do acknowledge risks for Beter Bed (i.e. star performer Netherlands could deteriorate, the German economy could turn for the worse, the restructuring could be insufficient, cost inflation could turn out to be difficult to offset), we think we have built sufficient room for error into our estimates. We therefore reiterate our Buy recommendation.

## Financial Statements

P&L Statement (EURm) YE in Dec	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net Revenue</b>	<b>397</b>	<b>357</b>	<b>364</b>	<b>385</b>	<b>410</b>	<b>416</b>	<b>396</b>	<b>395</b>	<b>414</b>	<b>432</b>
Cost of sales	(173)	(154)	(155)	(163)	(173)	(177)	(175)	(177)	(185)	(193)
Gross Profit	224	203	209	222	237	239	221	219	229	239
Operating costs	(186)	(181)	(177)	(182)	(200)	(212)	(228)	(203)	(205)	(212)
<b>EBITDA</b>	<b>38</b>	<b>22</b>	<b>31</b>	<b>41</b>	<b>37</b>	<b>27</b>	<b>(8)</b>	<b>16</b>	<b>24</b>	<b>27</b>
Depreciation	(9)	(8)	(7)	(8)	(10)	(11)	(14)	(12)	(11)	(11)
EBITA	29	14	24	32	28	16	(22)	4	13	16
Amortization	(6)	(2)	(1)	(1)	(2)	(2)	(2)	(2)	(3)	(3)
<b>EBIT</b>	<b>24</b>	<b>12</b>	<b>23</b>	<b>31</b>	<b>26</b>	<b>14</b>	<b>(24)</b>	<b>2</b>	<b>10</b>	<b>13</b>
Net Interest	(0)	(1)	(0)	(0)	(0)	(0)	(1)	(2)	(1)	(1)
Associates	-	-	-	-	-	-	-	-	-	-
Other pre-tax items	-	-	-	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>23</b>	<b>12</b>	<b>23</b>	<b>31</b>	<b>26</b>	<b>14</b>	<b>(25)</b>	<b>0</b>	<b>9</b>	<b>13</b>
Taxes	(9)	(3)	(6)	(8)	(7)	(4)	6	(0)	(2)	(3)
Minorities	-	-	-	-	-	-	-	-	-	-
Other post-tax items	-	-	-	-	-	-	(5)	-	-	-
<b>Reported Net Profit</b>	<b>14</b>	<b>8</b>	<b>17</b>	<b>23</b>	<b>19</b>	<b>10</b>	<b>(23)</b>	<b>0</b>	<b>6</b>	<b>9</b>
Normalised EBITDA	41	29	31	41	37	29	0	16	24	27
Normalised EBIT	31	20	23	31	26	16	(16)	2	10	13
Normalised Net Profit	22	14	17	23	19	12	(11)	0	6	9
Balance Sheet (EURm) YE in Dec	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Financial Assets	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-
Other Intangible Assets	3	3	4	3	7	9	11	12	13	15
PP&E	31	26	29	35	38	44	41	40	39	39
Other Non-Current Assets	1	1	1	2	2	3	13	13	13	13
<b>Fixed Assets</b>	<b>35</b>	<b>29</b>	<b>33</b>	<b>40</b>	<b>47</b>	<b>56</b>	<b>66</b>	<b>65</b>	<b>65</b>	<b>67</b>
Inventories	61	56	53	58	62	66	56	54	55	57
Debtors	2	1	2	2	13	17	13	13	12	12
Cash and Marketable Securities (1)	5	10	21	26	22	18	6	5	3	9
Other Current Assets	8	7	8	7	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>76</b>	<b>73</b>	<b>84</b>	<b>92</b>	<b>97</b>	<b>101</b>	<b>75</b>	<b>71</b>	<b>71</b>	<b>78</b>
<b>Total Assets</b>	<b>111</b>	<b>102</b>	<b>117</b>	<b>132</b>	<b>144</b>	<b>157</b>	<b>141</b>	<b>136</b>	<b>137</b>	<b>145</b>
Equity	56	58	69	76	77	70	47	47	52	57
Minority Interests	-	-	-	-	-	-	-	-	-	-
<b>Total Shareholder Funds</b>	<b>56</b>	<b>58</b>	<b>69</b>	<b>76</b>	<b>77</b>	<b>70</b>	<b>47</b>	<b>47</b>	<b>52</b>	<b>57</b>
Long-Term Debt (2)	1	-	-	-	-	-	-	-	-	-
Provisions	2	5	3	3	2	3	4	4	4	4
Other Long-Term Liabilities	-	-	-	-	-	-	-	-	-	-
Short Term Debt (3)	11	5	-	-	-	17	23	18	10	10
Accounts Payable	9	9	18	23	32	31	24	25	27	29
Other Current Liabilities	31	26	28	30	33	35	42	42	44	46
<b>Total Liabilities</b>	<b>55</b>	<b>45</b>	<b>48</b>	<b>56</b>	<b>67</b>	<b>87</b>	<b>94</b>	<b>89</b>	<b>85</b>	<b>88</b>
<b>Total Liabilities and Shareholder Fund:</b>	<b>111</b>	<b>102</b>	<b>117</b>	<b>132</b>	<b>144</b>	<b>157</b>	<b>141</b>	<b>136</b>	<b>137</b>	<b>145</b>
Net Debt (2 + 3 - 1)	7	(5)	(21)	(26)	(22)	(0)	17	13	7	1
Cash Flow Statement (EURm)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA	38	22	31	41	37	27	(8)	16	24	27
Change in WC	(6)	7	12	0	5	(2)	11	3	2	3
Net Interest (paid) / received	(0)	(1)	(0)	(0)	(0)	(0)	(2)	(2)	(1)	(1)
Taxes (paid) / received	(6)	(9)	(7)	(4)	(8)	(9)	(0)	(0)	(3)	(4)
Other operating cash flow	0	3	(4)	(0)	(0)	0	(2)	0	0	0
<b>CF from operations</b>	<b>25</b>	<b>22</b>	<b>33</b>	<b>36</b>	<b>34</b>	<b>16</b>	<b>0</b>	<b>17</b>	<b>22</b>	<b>26</b>
Maintenance Capex	(11)	(5)	(13)	(16)	(17)	(21)	(17)	(13)	(14)	(15)
Expansionary Capex	-	-	-	-	-	-	-	-	-	-
Disposals / (Acquisitions)	1	1	3	0	(3)	0	1	-	-	-
Other investing cash flow	0	0	0	-	(0)	0	0	-	-	-
<b>CF from investing</b>	<b>(10)</b>	<b>(4)</b>	<b>(11)</b>	<b>(15)</b>	<b>(20)</b>	<b>(21)</b>	<b>(16)</b>	<b>(13)</b>	<b>(14)</b>	<b>(15)</b>
Increase / (decrease) in Equity	0	1	2	1	-	-	-	-	-	-
Increase / (decrease) in Debt	4	(7)	(5)	-	-	17	6	(5)	(8)	-
Dividends Paid	(21)	(7)	(8)	(17)	(18)	(16)	(1)	-	(2)	(5)
Other financing cash flow	-	-	-	-	-	-	-	-	-	-
<b>CF from financing</b>	<b>(17)</b>	<b>(13)</b>	<b>(11)</b>	<b>(16)</b>	<b>(18)</b>	<b>1</b>	<b>5</b>	<b>(5)</b>	<b>(10)</b>	<b>(5)</b>
Other	-	-	-	-	-	-	-	-	-	-
<b>Total change in cash</b>	<b>(2)</b>	<b>4</b>	<b>11</b>	<b>5</b>	<b>(4)</b>	<b>(4)</b>	<b>(11)</b>	<b>(1)</b>	<b>(1)</b>	<b>6</b>

Source: Beter Bed Holding, ABN AMRO Equity Research



Per Share Data (EUR)	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Avg. no. of shares (mln)	21.7	21.7	21.9	21.9	22.0	22.0	22.0	22.0	22.0	22.0
Eoy no. of shares (mln)	21.7	21.8	21.9	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Avg. no. of shares FD (mln)	21.7	21.7	21.9	21.9	22.0	22.0	22.0	22.0	22.0	22.0
Dividend Per Share	0.47	0.27	0.65	0.87	0.74	0.37	-	-	0.15	0.25
EPS	0.66	0.38	0.77	1.03	0.87	0.43	(1.06)	0.02	0.30	0.42
Normalised EPS	1.02	0.64	0.77	1.03	0.87	0.55	(0.71)	0.02	0.30	0.42
Diluted EPS	0.66	0.38	0.77	1.03	0.87	0.43	(1.06)	0.02	0.30	0.42
Diluted Normalised EPS	1.02	0.64	0.77	1.03	0.87	0.55	(0.71)	0.02	0.30	0.42
Book Value per Share	2.57	2.66	3.13	3.45	3.50	3.20	2.12	2.15	2.36	2.58
Cash Earnings per Share	0.83	0.59	0.54	0.75	0.62	0.05	(1.11)	0.06	0.28	0.36
Equity Free Cash Flow per Share	0.65	0.77	0.89	0.91	0.80	(0.26)	(0.79)	0.19	0.37	0.48
Gross Operating Cash Flow per Share	1.46	1.45	1.83	1.84	1.92	1.14	0.08	0.88	1.19	1.38
Net Operating Cash Flow per Share	1.15	1.02	1.49	1.64	1.55	0.71	0.00	0.79	1.02	1.17
EBITDA per Share	1.76	1.02	1.43	1.85	1.70	1.24	(0.34)	0.73	1.08	1.24
<b>Valuation</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Share Price Average	15.1	15.0	16.8	21.0	20.0	15.6	7.4	4.9	4.9	4.9
Share Price YE (used for MC calculation)	13.2	17.6	17.2	22.5	16.9	13.2	3.6	4.9	4.9	4.9
Market Cap	287	383	377	494	371	291	79	107	107	107
Net debt	7	(5)	(21)	(26)	(22)	(0)	17	13	7	1
Other EV adjustments	-	-	-	-	-	-	-	-	-	-
Enterprise Value	294	379	356	468	349	291	96	119	113	107
EV / Normalised Sales	0.7	1.1	1.0	1.2	0.9	0.7	0.2	0.3	0.3	0.2
EV / Normalised EBITDA	7.2	13.3	11.4	11.5	9.4	9.9	958.7	7.5	4.8	3.9
EV / Normalised EBITA	9.2	18.3	14.7	14.6	12.6	16.0	n/m	27.2	8.9	6.6
EV / Normalised EBIT	9.4	19.3	15.4	15.2	13.4	17.7	n/m	59.5	11.3	8.0
P / E Normalised	12.9	27.5	22.3	21.9	19.5	24.3	(5.1)	n/m	16.4	11.5
P / E Normalised fully diluted	12.9	27.5	22.3	21.9	19.5	24.3	(5.1)	n/m	16.4	11.5
Equity FCF yield	4.9%	4.4%	5.2%	4.1%	4.7%	(2.0%)	(21.9%)	4.0%	7.7%	10.0%
Div yield	3.6%	1.5%	3.8%	3.9%	4.4%	2.8%	0.0%	0.0%	3.1%	5.1%
WACC	9.08%	9.05%	9.07%	9.08%	9.10%	9.17%	9.19%	9.17%	9.17%	9.17%
EV/IC	4.7	6.5	7.0	9.6	6.6	4.6	1.4	1.9	1.9	1.9
ROIC / WACC	3.8	2.5	3.5	4.8	3.8	2.1	(2.0)	0.3	1.4	1.9
P/B	5.1	6.6	5.5	6.5	4.8	4.1	1.7	2.3	2.1	1.9
ROE / COE	3.4	2.2	2.3	2.8	2.2	1.5	(1.9)	0.3	1.4	1.7
<b>Analysis</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
NOPAT (EURm)	22	13	16	21	18	12	(12)	1	7	10
NOPAT Adjusted (EURm)	22	13	16	21	18	12	(12)	1	7	10
Return on Average Capital Employed	34.3%	21.9%	23.6%	28.4%	23.3%	15.9%	(19.3%)	2.9%	13.9%	17.2%
Return on Average Invested Capital	34.3%	23.1%	31.6%	43.7%	35.0%	19.4%	(18.1%)	2.4%	12.6%	17.2%
Return on Average Assets	19.2%	12.6%	14.5%	17.2%	13.4%	8.1%	(8.1%)	1.1%	5.4%	7.1%
Return on Average Equity	36.7%	23.6%	25.2%	29.6%	24.1%	16.5%	(20.6%)	3.2%	15.0%	18.4%
Gross Profit Margin	56.3%	56.9%	57.3%	57.7%	57.8%	57.5%	55.7%	55.3%	55.3%	55.3%
Normalised EBITDA Margin	10.2%	8.0%	8.6%	10.5%	9.1%	7.0%	0.0%	4.0%	5.7%	6.3%
Normalised EBITA Margin	8.0%	5.8%	6.6%	8.3%	6.7%	4.4%	(3.6%)	1.1%	3.1%	3.8%
Normalised EBIT Margin	7.8%	5.5%	6.3%	8.0%	6.4%	3.9%	(4.1%)	0.5%	2.4%	3.1%
Normalised Pretax Margin	7.7%	5.3%	6.2%	8.0%	6.3%	3.8%	(4.4%)	0.1%	2.1%	2.9%
Normalised Net Profit Margin	5.6%	3.9%	4.6%	5.9%	4.6%	2.9%	(3.9%)	0.1%	1.6%	2.2%
Net Debt / Normalised EBITDA	0.2	(0.2)	(0.7)	(0.6)	(0.6)	(0.0)	168.3	0.8	0.3	0.0
Net Debt / EBITDA covenant	-	-	-	-	-	-	-	-	-	-
Net Debt / Equity (Gearing)	12.7%	(7.9%)	(30.4%)	(33.7%)	(28.3%)	(0.3%)	36.1%	26.6%	12.6%	1.3%
Equity / Total Assets (Solvency)	50.4%	56.6%	58.6%	57.5%	53.5%	44.8%	33.2%	34.6%	37.9%	39.1%
Solvency covenant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT Interest Cover	54.0	24.2	63.1	73.3	86.4	32.2	(11.3)	1.3	7.9	14.9
Interest Cover Covenant	-	-	-	-	-	-	-	-	-	-
<b>Company Key Performance Indicators</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Number of stores (x)	1,219.0	1,175.0	1,127.0	1,159.0	1,206.0	1,188.0	1,009.0	1,013.0	1,019.0	1,025.0
Comparable-store sales growth (%)	(4.7)	(11.2)	4.8	5.4	2.8	(1.1)	(1.0)	3.3	3.5	3.3
Operating costs per average store (EUR)	160,172.9	153,336.7	161,260.6	167,555.6	178,456.7	186,357.6	215,743.3	214,268.5	215,248.7	220,650.0
Employees per average store (x)	2.1	2.1	2.1	2.1	2.2	2.4	2.6	2.8	2.8	2.8
Capex per average store (EUR)	9,069.0	4,543.9	11,477.8	13,965.9	13,982.2	17,864.7	15,774.2	12,904.7	13,840.9	14,797.5

Source: Beter Bed Holding, ABN AMRO Equity Research

**Important disclosures**

Issuer	Ticker	Price EUR
Beter Bed Holding	BETR.AS	4.86

ABN AMRO Bank N.V. adopted a Research Policy for the purpose of ensuring that research produced by its analysts is impartial, independent, fair, clear and not misleading. In particular the Policy identifies policies intended to promote the integrity of research including those designed to ensure the identification and avoidance, management or disclosure of conflicts of interest in connection with the production of research, including information barriers. The disclosures below include those required to be made by ABN AMRO Securities (USA) LLC by Finra rule 2241 and other applicable regulations.

**Consequently ABN AMRO Bank N.V. discloses the following:**

ABN AMRO Bank NV or its affiliates received in the past 12 months compensation for investment banking services from the Company.

ABN AMRO Bank NV or its affiliates expects to receive or intends to seek compensation for investment banking services from the Company in the next 3 months.

ABN AMRO Securities (USA) LLC does not make a market in securities of the companies that are the subject of this report

ABN AMRO Bank NV or its affiliates is a market maker or liquidity provider in the financial instruments issued by the Company.

ABN AMRO Bank NV provided and received compensation for non-investment banking services which may include sales and trading to the subject company within the past 12 months.

**Analyst certification**

The persons named as the authors of this research report certify that:

1. all of the views expressed in the research report accurately reflect the personal views of the authors about the subject financial instruments and issuers; and
2. no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

Robert Jan Vos

Eric Wilmer

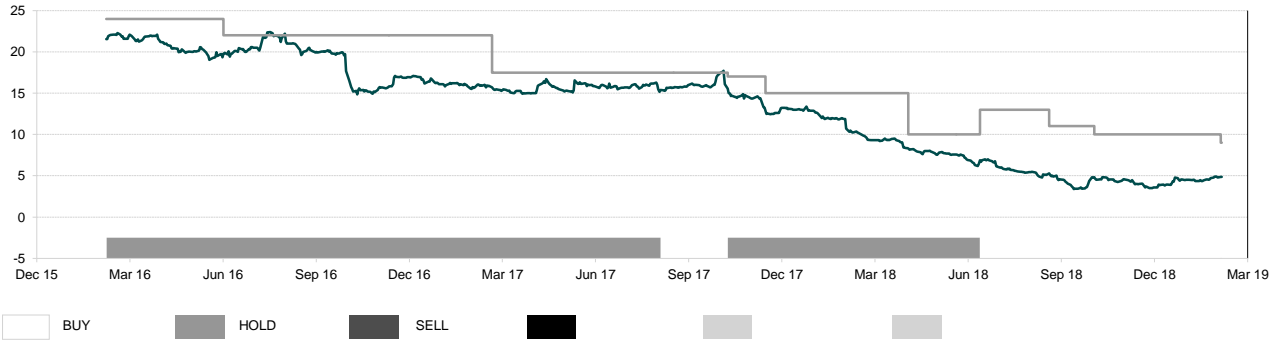
Analysts' compensation is determined based upon activities and services intended to benefit the clients of ABN AMRO Bank N.V. and its affiliates. Like all ABN AMRO Bank N.V. and affiliate employees, analysts receive compensation that is impacted by overall ABN AMRO Bank N.V. profitability, which includes revenues from other business units.

**ABN AMRO Bank N.V. and affiliates equity research ratings distribution (primary covered stocks)**

ABN AMRO Rating	Definition	% companies under coverage with this rating	% companies for which ABN AMRO has provided Investment Banking services
BUY	The stock belongs to the favourites of the local ABN AMRO Bank N.V. universe. Expected total return (incl. dividends) for the coming 12 months: > +15%	59%	66%
HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected total return (incl. dividends) for the coming 12 months: > 0%, < +15%	31%	27%
SELL	The stock belongs to the less attractive ones within the ABN AMRO Bank N.V. local universe. The outlook is uncertain. Expected total return (incl. dividends) for the coming 12 months: < 0%	10%	6%
05 March 2019	ABN AMRO Bank N.V. Primary Equity Research Coverage: 110 Prior to 1-10-2014 ABN AMRO applied 4 ratings (Buy, Hold, Reduce, Sell)		



Historical equity recommendations and target price for Beter Bed Holding (EUR)



History of Target Prices

Date	Recommendation	Target Price
4/3/2019	BUY	EUR 9.00
31/10/2018	BUY	EUR 10.00
17/09/2018	BUY	EUR 11.00
11/7/2018	BUY	EUR 13.00
2/5/2018	HOLD	EUR 10.00
13/12/2017	HOLD	EUR 15.00
6/11/2017	HOLD	EUR 17.00
20/03/2017	HOLD	EUR 17.50

History of Recommendation

Date	Recommendation	Target Price
11/7/2018	BUY	EUR 13.00
6/11/2017	HOLD	EUR 17.00
1/9/2017	BUY	EUR 17.50

Source: ABN AMRO Equity Research, Factset

## Equity Brokerage and Research - Contact List

Ferdinand Vaandrager +31 20 628 1688  
Head of Global Markets Sales

### Equity Sales

Bram Fiselier (Head) +31 20 535 7264  
Eddy de Bruin +31 20 535 7052  
Marc DeNatris (US) +1 917 284 6725  
Ronald Evers +31 20 383 6097  
Philip Hardeveld - Financials & Real Estate +31 20 535 7364  
Juliet Jellema (US) +1 917 284 6742  
Jeroen Koopman +31 20 535 7285  
Anne van Lie Peters +31 20 535 7265  
Jaap Linnebank +31 20 535 7359  
Esther Silli (FR) +33 1 5621 8581  
Johan van der Veen +31 20 535 7263

### Sales Trading

Frank Bonsee +31 20 535 7082  
Daam-Martijn van Holst +31 20 535 7139  
Ramon Hörchner +31 20 383 6098

### Equity Research

Ron Heijdenrijk (Head) - Financials +31 20 343 7359  
Thijs Berkelder - Energy +31 20 383 1216  
Wim Gille - Technology +31 20 628 2639  
Mutlu Gundogan - Chemical and Materials +31 20 628 1386  
Cor Kluis - Financials +31 20 383 7728  
Niko Levikari - Real Estate +31 20 628 9049  
Veronique Meertens - Real Estate +31 20 628 1853  
Philip Ngotho - Industrials and Materials +31 20 344 2943  
Robert Jan Vos - Consumer +31 20 343 7579  
Eric Wilmer - Consumer +31 20 629 1459  
Konrad Zomer - Business Services, Media & Telecom +31 20 383 1356

### Corporate Access

Robin de Jonge +31 20 383 6879  
Michelle Klievink +31 20 535 7284  
Nancy Kool +31 20 535 7416

**ABN AMRO Bank**  
Gustav Mahlerlaan 10 (visiting address)  
P.O. Box 283  
1000 EA Amsterdam  
The Netherlands  
Tel: +31 20 628 9393

Each research analyst primarily responsible for the content of this research report certifies that with respect to each security or Company that the analyst covered in this report: 1) all of the expressed views accurately reflect his or her personal views about those securities or Companies, and 2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views contained in this report.

#### **Production of the document**

ABN AMRO Bank N.V., with registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands ("**ABN AMRO**"), is responsible for the production and the dissemination of this document, which has been prepared by the individual(s) working for ABN AMRO or any of its affiliates (except ABN AMRO Securities (USA) LLC) and whose respective identity is disclosed in this document (the "**persons involved**") (together the "**producers of the document**"). Similarly, the ABN AMRO logo used in this research report refers to ABN AMRO Bank and its affiliates other than ABN AMRO Securities (USA) LLC. This document can be distributed by an affiliate of ABN AMRO Bank N.V. that is not registered as a U.S. broker-dealer to major U.S. institutional investors only.

#### **Distribution into Japan:**

This research is not for distribution in or transmission into Japan.

#### **Distribution into the UK:**

This communication is only directed at persons who are investment professionals under Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion Order 2005) and the investment or investment activity to which this communication relates is only available to and will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely upon the contents of this communication.

#### **Distribution into the US:**

This material should not be distributed to any US persons by ABN AMRO Bank NV (ABN AMRO) or any affiliate other than ABN AMRO Securities (USA) LLC except that ABN AMRO may directly distribute it solely to persons who meet the definition of Major US Institutional Investor under Rule 15a-6 or persons listed under Rule 15a-6 (a)(4). This material should not be construed as a solicitation or recommendation to use ABN AMRO to effect transactions in any security mentioned herein. In connection with distribution of this material in the United States by ABN AMRO Securities (USA) LLC: ABN AMRO Securities (USA) LLC, a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States by ABN AMRO Securities (USA) LLC. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any investment discussed in this material should do so through a qualified representative of ABN AMRO Securities (USA) LLC; ABN AMRO Securities (USA) LLC, is a broker-dealer registered with the SEC and is a FINRA member firm. Nothing herein excludes or restricts any duty or liability to a customer that ABN AMRO Securities (USA) LLC has under any applicable law. Analyst(s) preparing this report are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Therefore the analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For important disclosures and equity rating histories regarding companies that are the subject of this report, please contact your sales or research representative.

#### **No public offer or financial promotion**

This document does not constitute an offer or solicitation for the sale, purchase or subscription of any financial instrument in any jurisdiction. It is not directed to, or intended for distribution to, any person or entity who is a citizen or resident of or incorporated or located in any jurisdiction where such distribution would be contrary to local law or regulation and/or where ABN AMRO would infringe any registration or licensing requirement within such jurisdiction. This document has been provided to you for your personal use only and should not be communicated to any other person without the prior written consent of ABN AMRO. Should you have received this document by mistake, please delete or destroy it, and notify the sender immediately.

#### **Sources and disclosure**

ABN AMRO believes that the information and/or the interpretations, estimates and/or opinions regarding the financial instrument(s) and/or Company(ies) to which this document relates (respectively, the "**financial instrument(s) concerned**" and/or the "**Company(ies) concerned**") are based on reliable sources. ABN AMRO makes representations as to the accuracy or completeness of those sources and, in any case, the recipients of this document should not exclusively rely on it before making an investment decision. The interpretations, estimates and/or opinions reflect the judgement of ABN AMRO on the date of this document and are subject to changes without notice.

#### **No investment advice**

The information contained herein does not constitute investment advice nor any other advice of whatever nature (including advice on the tax consequences that might result from making any particular investment decision). Investments in the financial instrument(s) to which this document relates may involve significant risks, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any financial instrument(s) concerned may fluctuate and/or be affected by external factors such as exchange rates fluctuations. Past performance is not indicative of future results. This document is intended for general circulation and does not take into account the recipient's particular financial knowledge and experience, investment objectives and financial situation or needs, and is not intended as a personal recommendation to invest in the financial instrument(s) concerned. Before making an investment decision on the basis of this document, an investor should consider whether such investment is suitable in light of, amongst others, its particular financial knowledge and experience, investments objectives and financial situation and, if necessary, should seek appropriate professional advice. Neither ABN AMRO nor any of its group companies (including any subsidiary, affiliate or holding company), directors, officers and employees shall in any way be liable or responsible (whether directly or indirectly) for any costs, claims, damages, liabilities and other expenses, including any consequential loss, arising from any use of this document, except in the event of wilful misconduct or gross negligence on their part.

#### **No tax advice**

ABN AMRO Bank NV does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

#### **Supervision**

ABN AMRO Bank NV has a full Banking License from the Dutch Central Bank (DNB) and is supervised by the Authority Financial Markets (AFM) and the DNB

#### **Copyright**

This document contains information, text, images, logos, and/or other material that is protected by copyrights, database rights, trademarks, or other proprietary rights. It may not be reproduced, distributed, published or used in any way by any person for any purpose without the prior written consent of ABN AMRO or in the case of third party materials, the owner of that content.