COMPANY UPDATE

Software & Services

Fair value: SEK27.0–41.0

Share price: SEK23.2

Sleep Cycle

Short-term pain, long-term gain – Q3 review

Research analysts:
Rikard Engberg
DNB Carnegie Investment Bank AB

Sleep Cycle reported somewhat lacklustre sales and EBIT figures, both below our estimates and down on a Y/Y basis. However, we argue that the strong performance in partnership revenue – up 55% Y/Y and 9.7% above our estimate – and the update regarding the Sleep Apnoea study should be the focus. Following estimate revisions, we lower the bottom-end of our fair value range to a new range of SEK27–41 (31–41).

Lacklustre performance for subscription-related KPIs. Revenue in Q3 was SEK61.5m, corresponding to an organic decline of 4.7% Y/Y, 3.7% lower than our estimate. The decline was explained by a 9.1% Y/Y decline in subscribers. We argue that the focus should be on partnership revenue of SEK6.7m, equal to a 55% growth rate Y/Y and 8.4% above our estimate. Q3 EBIT was SEK16.8m, corresponding to a margin of 27.3%, and SEK1.4m shy of our estimate.

Moderate estimate revisions. The Q3 results indicate that the trough in revenue has not yet been reached. Despite strong partnership revenue, we lower our sales estimates by an average 2.5% for 2025–27e, while continuing to assume solid growth in partnership revenue. For EBIT we make only minor revisions, lowering our EBIT margin by an average of 3.3% for 2025–27e.

Equity story intact and inflection point close. We argue that despite its performance in Q3 Sleep Cycle is close to an inflection point, when alternative sources of revenue such as partnership revenue offset a decline in consumer subscription revenue. Furthermore, the Sleep Apnoea initiative is progressing according to plan according to management, with launch planned in late-2026.

Trading close to all-time low: Sleep Cycle currently trades, according to FactSet consensus, at 4.5x EV/EBIT NTM, a 22% discount to its peer group mean valuation during the same time. Following estimate revisions we lower our fair value range to SEK27–41.

Changes in this report

	From	To	Chg
EPS adj. 2025e	2.80	2.65	-5%
EPS adj. 2026e	2.76	2.71	-2%
EPS adj. 2027e	3.4	3.3	-2%

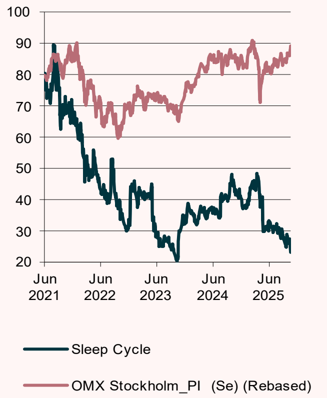
Upcoming events

Key facts

No. shares (m)	20.3
Market cap. (USDm)	50
Market cap. (SEKm)	469
Net IB Debt. (SEKm)	-124
Adjustments (SEKm)	0
EV (2025e) (SEKm)	345
Free float	30.0%
Avg. daily vol. ('000)	52
BBG	SLEEP SS
Fiscal year end	December
Share price as of (CET)	24 Oct 2025 17:29

Key figures (SEK)	2024	2025e	2026e	2027e
Sales (m)	262	251	261	290
EBITDA (m)	86	73	77	90
EBIT (m)	77	67	70	83
EPS	3.09	2.65	2.71	3.31
EPS adj.	3.31	2.65	2.71	3.31
DPS	3.00	1.19	1.22	1.49
Sales growth Y/Y	11%	-4%	4%	11%
EPS adj. growth Y/Y	22%	-20%	3%	22%
EBIT margin	29.4%	26.6%	26.7%	28.6%
P/E adj.	7.0	8.7	8.5	7.0
EV/EBIT	8.2	5.2	4.5	3.3
EV/EBITA	8.2	5.2	4.5	3.3
EV/EBITDA	7.4	4.7	4.1	3.0
P/BV	5.9	6.4	4.5	3.2
Dividend yield	13.0%	5.1%	5.3%	6.4%
FCF yield	11.4%	11.6%	12.6%	14.5%
Equity/Total Assets	33.6%	30.8%	37.1%	43.1%
ROCE	94.8%	75.1%	65.8%	56.4%
ROE adj.	95.6%	70.5%	62.4%	53.7%
Net IB debt/EBITDA	-1.6	-1.7	-2.1	-2.2

Share price – 5-year



High/Low (12M) **SEK48.4/23.2**

Perf.	3M	6M	12M	YTD
Abs.	-24.35	-43.40	-47.15	-38.43
Rel.	-29.18	-56.25	-52.29	-46.71

Source: DNB Carnegie (estimates), FactSet, Infront & company data

Equity story

Near term: within 12M	We believe the main catalyst for the share price in the coming 6–12 months will be the development of sales and the result of the new strategic initiatives for increased sales growth. Given that the company has implemented several cost programmes, it is plausible that accelerated growth would result in strong EPS development, driving the share price. We believe the strong cash flow provides some downside protection to the share price.
Long term outlook: 5Y+	We believe the long-term growth driver for sales growth and the share price is an increased awareness of sleep as a key component of health. We believe that sleep is a key trend within health and wellness that could lead to high growth for sleep-related products.
Key risks:	• FX-related risks • Cybersecurity • Risk of Apple or Google developing a free-to-use app with similar functions • Technological risks • Licencing of technology can accelerate growth

Company description

Sleep Cycle offers a sleep-tracking application for smartphones and other devices, using a patented sound analysis technology that tracks and analyses sleep behaviours and correlates these results with everyday factors to provide personalised sleep insights to assist users in improving their quality of sleep. Today, it is one of the world's most downloaded sleep applications, positioned as the leading sleep-tracking application provider for iOS and Android. Sleep Cycle has a global reach, with a user base spanning 150 countries and more than 3m monthly active users. The company was founded in 2009 and is headquartered in Gothenburg, Sweden.

Key industry drivers

- Increased spend on mobile applications
- Increased awareness of health

Industry outlook

- According to Appfigures, spending in the Apple App Store increased by 24% Y/Y in 2024.

Largest shareholders, capital

Maciej Drejak	42.9%
Pierre Siri genom bolag	20.0%
Avanza Pension	5.0%

Cyclicality

Cyclicality: No

Not cyclical

Key peers

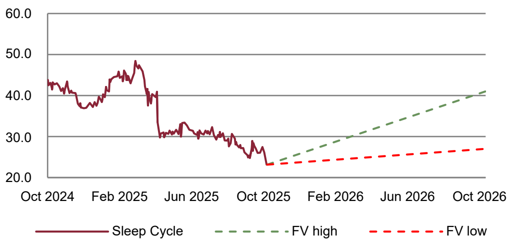
Bumble, Grindr, Storytel, Match Group, SiriusXM

Valuation and methodology

To get the lower end of our fair value range, we use a peer set of listed consumer subscription names to value Sleep Cycle. We look at a regression where valuation is based on the sum of growth and EBITDA margin.

To get the upper range of our fair value range, we use a DCF with a WACC range of 8–10%. In the extended estimate period 2028-44e, we forecast average sales growth of 2.5% and an average EBITDA margin of 29.7%.

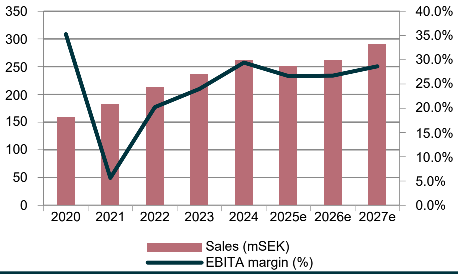
Fair value range 12M



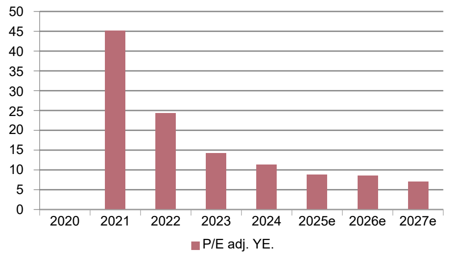
The high end of our fair value range represents a scenario where we estimate an acceleration in sales growth over 2026–27e, driven by the growth of additional revenue streams such as partnerships.

The low end of our fair value range represents a scenario where the partnership strategy does not accelerate growth. In this scenario, the EBITDA is 15% lower than our estimates.

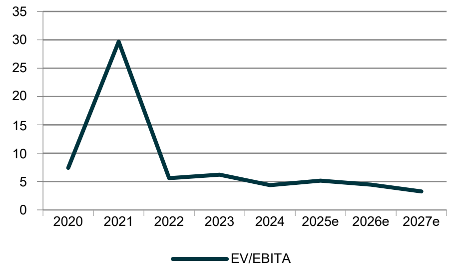
Key metrics



P/E 12-months forward



Long-term valuation trend

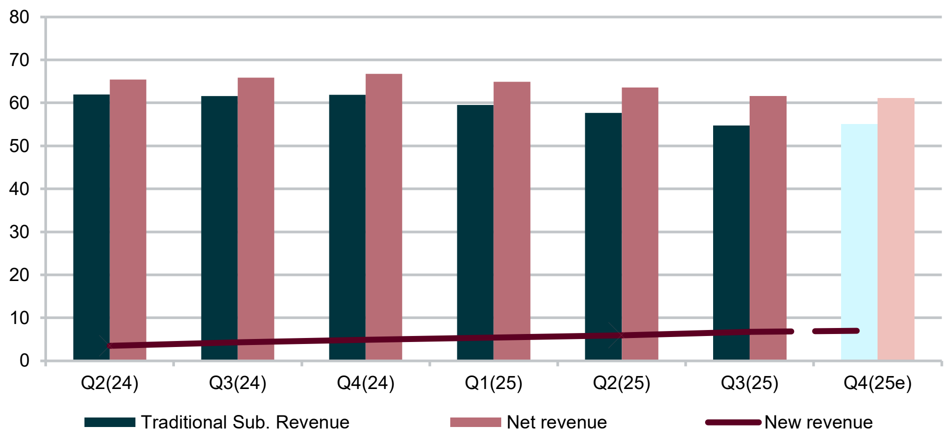


Source: DNB Carnegie (estimates) & company data

Sleep Cycle in charts

We estimate that Q3 2025 was the low point in revenue as growth in partnership revenue will offset decline in subscription revenue

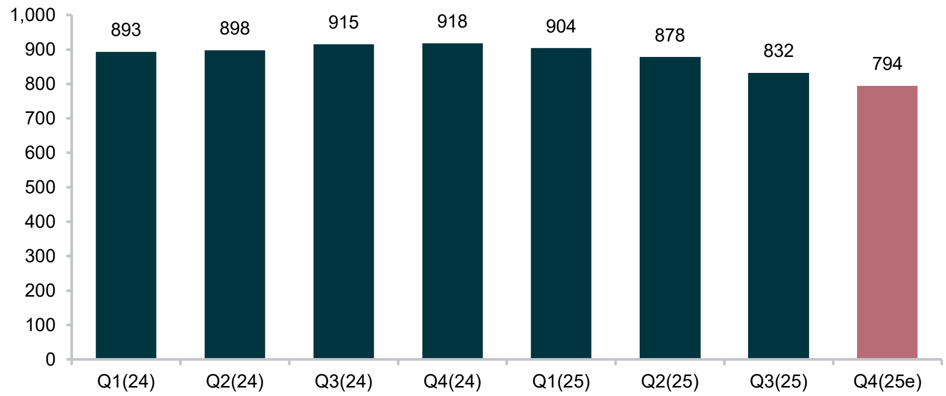
Revenue (SEKm)



Source: DNB Carnegie (estimates) & company

We estimate a further decline in subscribers during Q4 2025e…

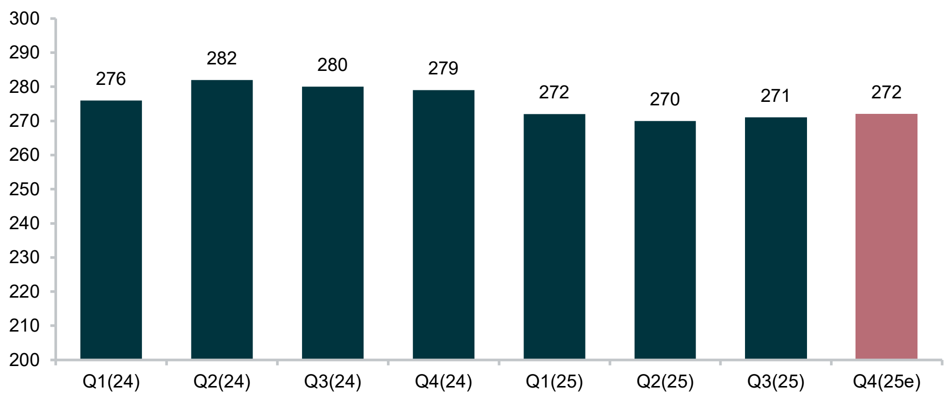
Subscribers (t)



Source: DNB Carnegie (estimates) & company data

… but a stabilisation in ARPU. New customers have a higher than reported ARPU, leading us to believe that this metric can grow in 2026–27e

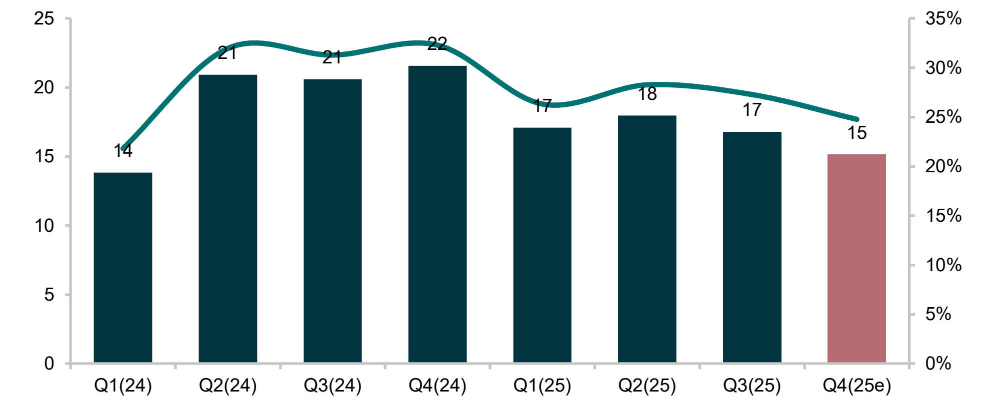
ARPU (SEK)



Source: DNB Carnegie (estimates) & company data

We estimate that Q3 2025 was the low point in revenue, and that growth in partnership revenue will now offset the decline in subscription revenue

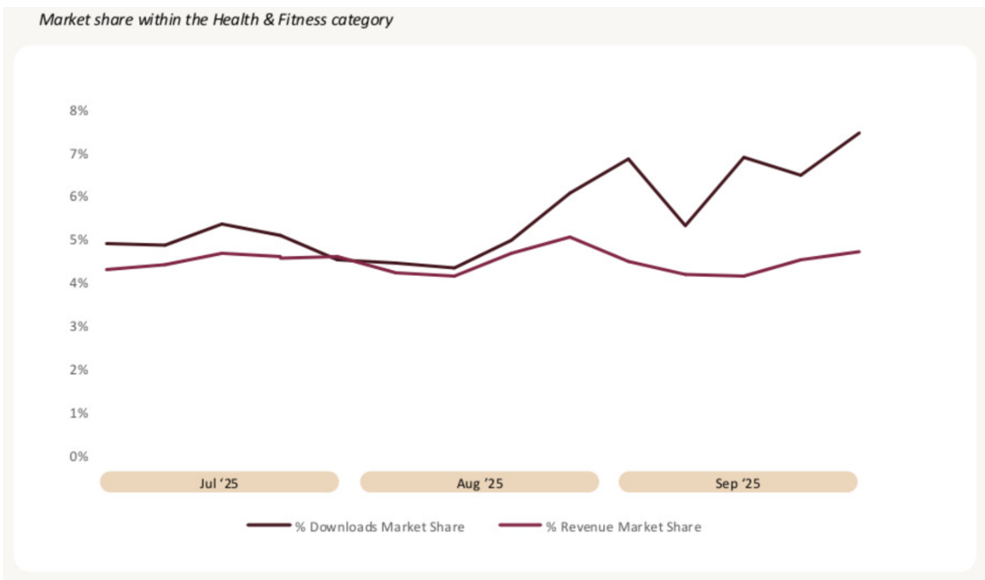
EBIT adj. (SEKm)



Source: DNB Carnegie (estimates) & company data

In a context of weak sentiment for sleep trackers in the App store, Sleep Cycle has gained market share

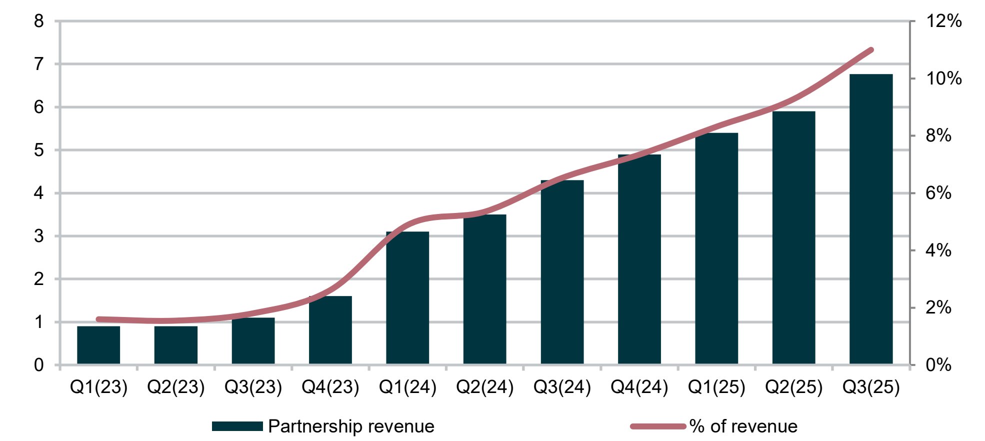
Overview of Sleep Cycles market share



Source: DNB Carnegie (estimates) & company

Partnership revenue has shown strong growth Q/Q in recent quarters, but has not been able to offset the decline in subscription revenue

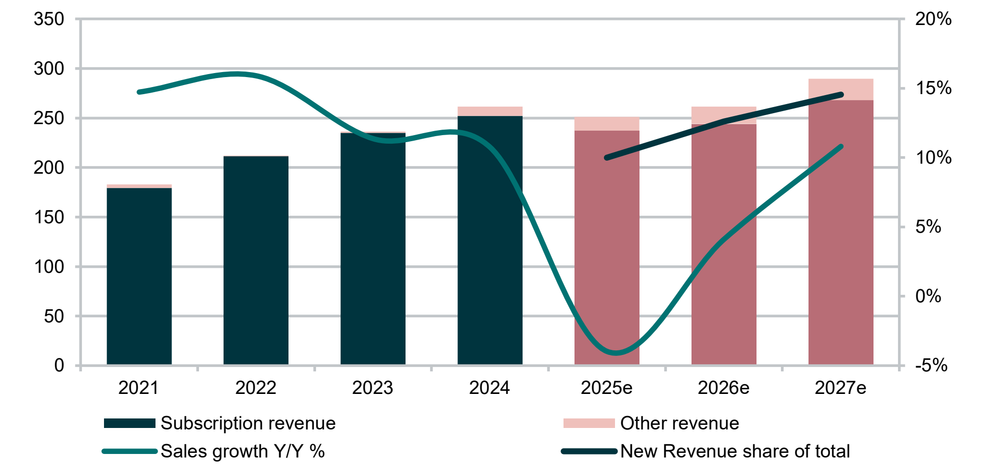
Partnership revenue (SEKm) and share of revenue (%)



Source: Company data

The strong development of partnership revenue in Q3 and the launch of Sleep Cycle Software Development Kit (SDK), making it possible for Sleep Cycle to licence its technology, makes us confident in our estimate of Y/Y growth in 2026

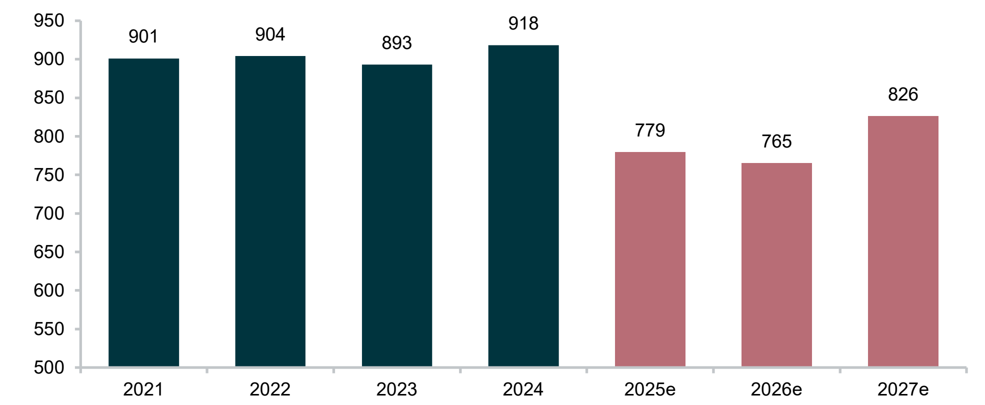
Revenue (SEKm)



Source: DNB Carnegie (estimates) & company data

We have taken a conservative approach in estimating the number of subscribers in 2025–27

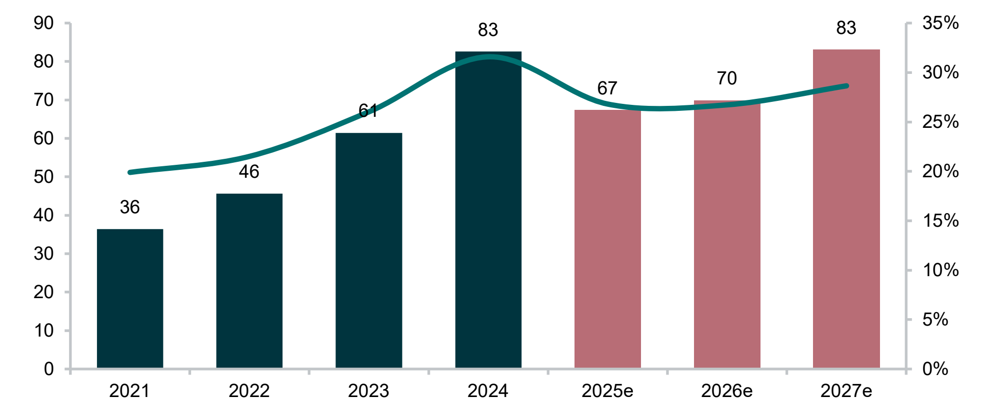
Consumer Subscribers ('000)



Source: DNB Carnegie (estimates) & company

We estimate that growth initiatives will put mild pressure on the EBIT margin during 2026e

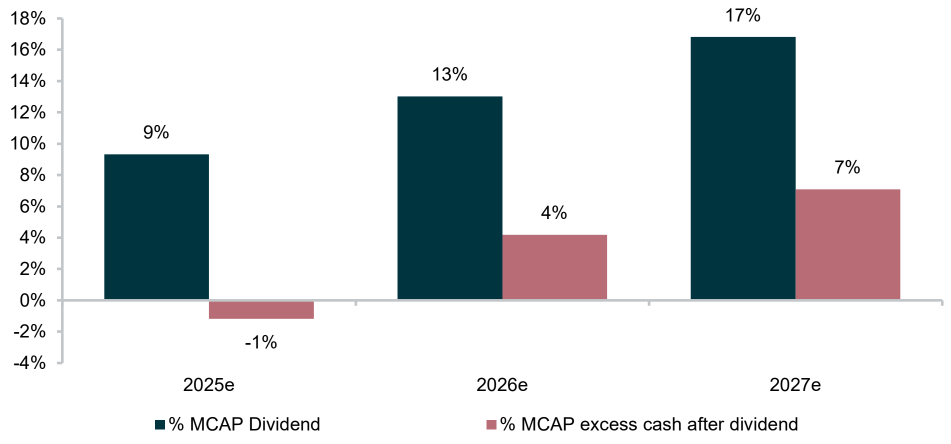
EBIT adj. (SEKm)



Source: DNB Carnegie (estimates) & company data

We argue that our estimated strong cash flow generation acts as downside protection for the share

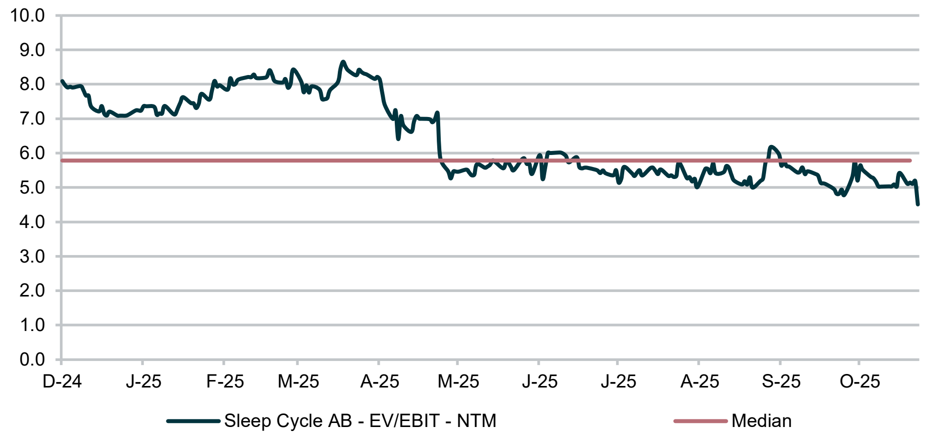
Accumulated dividend and excess cash flow as % of MCAP (%)



Source: DNB Carnegie (estimates) & company data

The current valuation reflects a low confidence in the potential of a strategic shift in Sleep Cycle, in our view

E/EBIT NTM Dec24-Present



Source: Factset

Valuation

We see a fair value range for Sleep Cycle of SEK27–41, corresponding to 2026e EV/EBITDA of 4.8–9.4x. At the lower end of our fair value range, we have used the midpoint in a scenario analysis where the top end represents a successful return to growth, and the bottom end represent a continuously stagnant growth rate.

For the top end of our range, we have used a DCF using a WACC of 8–10%.

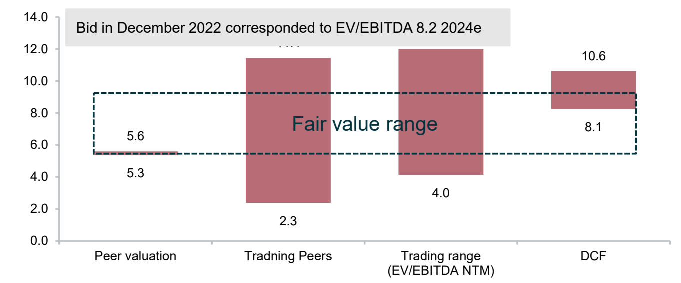
Valuation	MCAP	EV	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
	(sek)	(sek)	LTM	2025	2026	LTM	2025	2026	LTM	2025	2026	LTM	2025	2026
Sleep Cycle	653	506	1.9x	1.9x	1.6x	5.7x	6.2x	5.5x	6.2x	7.2x	6.4x	10.1x	14.6x	13.2x
Bumble	4,859	14,558	1.4x	1.5x	1.6x	4.9x	5.2x	5.7x	6.2x	7.0x	7.3x	NEG	5.2x	5.8x
Chegg	1,367	1,321	0.2x	0.3x	0.4x	2.5x	2.0x	1.8x	--	NEG	NEG	NEG	8.4x	11.4x
Dropbox	75,139	93,496	3.8x	3.9x	3.9x	14.0x	8.8x	8.7x	17.8x	10.2x	10.2x	18.5x	10.6x	9.9x
Duolingo	206,686	197,195	25.6x	20.9x	16.4x	249.4x	74.0x	52.8x	293.0x	174.1x	101.3x	239.0x	163.3x	109.4x
Grindr	42,832	43,178	12.5x	10.4x	8.6x	39.0x	24.0x	19.8x	45.3x	36.7x	29.0x	NEG	49.0x	41.1x
Match Group	70,376	100,641	3.0x	3.0x	2.9x	10.7x	8.3x	7.8x	12.8x	8.3x	7.7x	14.9x	14.1x	11.9x
Life360	44,427	42,737	11.4x	9.6x	7.9x	390.7x	62.2x	40.6x	7624.6x	260.4x	112.5x	NM	81.2x	57.9x
Netflix	4,902,053	4,992,942	13.2x	11.8x	10.5x	19.6x	38.5x	32.1x	48.2x	40.1x	33.0x	57.3x	47.7x	38.9x
Shutterstock	5,886	7,759	0.8x	0.8x	0.8x	5.0x	3.0x	3.2x	11.7x	8.2x	8.7x	16.2x	8.0x	8.4x
SiriusXM	68,367	172,223	2.0x	2.1x	2.1x	6.9x	6.7x	6.8x	8.9x	9.8x	9.7x	NEG	7.4x	7.2x
Spotify Technology	1,376,975	1,294,134	7.8x	6.6x	5.7x	69.8x	48.1x	35.0x	74.6x	51.2x	37.3x	114.9x	72.3x	49.6x
Storytel	6,925	7,154	1.9x	1.7x	1.5x	13.6x	9.7x	8.0x	24.4x	16.9x	12.6x	29.3x	19.0x	13.2x
Mean			**6.6x**	**5.7x**	**4.9x**	**64.0x**	**22.8x**	**17.5x**	**681.1x**	**52.5x**	**31.3x**	**62.5x**	**38.5x**	**29.1x**
Median			**3.0x**	**3.0x**	**2.9x**	**13.6x**	**8.8x**	**8.4x**	**21.1x**	**13.5x**	**11.4x**	**23.9x**	**14.6x**	**13.2x**

Source: Factset 20250616

To set the multiple we have used the Rule of 40 method where 2026e EV/EBITDA is a function of the sum of average growth rate 2025–26e and average EBITDA margin 2025–26e.

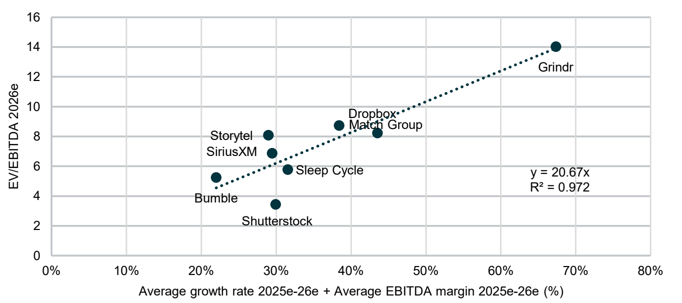
We have excluded Spotify, Duolingo, Netflix and Life360 from the regression due to their different business dynamics and competition.

Valuation Range EV/EBITDA 26e



Source: DNB Carnegie (estimates), FactSet

Rule of 40 (%)



Source: DNB Carnegie (estimates), FactSet (20250616)

DCF valuation

DCF assumptions - Summary	2025e	2026e	2027e	4-5	Average year 6-10	11-15	16-20	Terminal period
Total sales growth	-4.0%	4.1%	10.8%	3.0%	3.0%	2.4%	2.0%	2.0%
EBITDA margin	29.1%	29.4%	31.1%	26.0%	26.0%	26.0%	26.0%	26.0%
Depreciation % of sales	-2.4%	-2.7%	-2.4%	-2.4%	-2.4%	-2.4%	-2.4%	-2.4%
EBITA margin	26.6%	26.7%	28.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Amortisations % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT margin	26.6%	26.7%	28.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Capex % of sales	-4.4%	-4.4%	-4.5%	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%
Paid tax rate	-17.7%	-18.0%	-16.0%	-21.0%	-21.0%	-21.0%	-21.0%	-21.0%
NWC to sales	-29.3%	-30.2%	-28.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%
Sales	251	261	290	303	336	385	426	452
EBITDA	**73**	**77**	**90**	**79**	**87**	**100**	**111**	**117**
Capex	-11	-12	-13	-21	-24	-27	-30	-11
Taxes	-12	-13	-13	-15	-17	-19	-21	22
Other	1	5	2	-17	1	1	1	1,194
Free cash flow	**51**	**58**	**66**	**25**	**49**	**55**	**61**	**1,323**
Discounted FCF	49	52	54	18	27	21	16	295
Share of total discounted FCF	6%	6%	7%	4%	17%	13%	10%	36%

Valuation	(curr.)m	Per share (WACC 8%)	Per share (WACC 10%)
EV (discounted FCF)	809	39.9	29.3
- Net debt (2024)	133	6.6	6.6
+ Associates	0	0.0	0.0
- Minority interest	0	0.0	0.0
- Outstanding warrants	0	0.0	0.0
Other debt adjustments	0	0.0	0.0
Equity value at YE (25)	**943**	**46.5**	**35.9**
Time adjustment	61	3.0	2.3
Dividend	-61	-3.0	-3.0
Current equity value	**943**	**46.5**	**35.2**

WACC assumptions	
Risk-free rate	4.00%
Market risk premium	4.00%
Adjusted Beta	100.00%
Country risk premium	0.00%
Liquidity risk premium	0.00%
ESG risk (-1% to +1%)	0.00%
Cost of equity	**8.00%**
Risk-free rate	4.00%
Credit spread	n.m.
Cost of debt (Rf + credit spread)	n.m.
Taxes	n.m.
After-tax cost of debt	n.m.
Equity weight	**100.00%**
WACC	**8.00%**

Source: Source: DNB Carnegie (estimates)

Sensitivity table DCF

		WACC (%)					
		7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
	22%	42	39	36	34	32	30
EBITDA margin	24%	46	42	39	37	35	33
2028e-2044e	26%	50	46	43	40	37	35
	28%	54	49	46	43	40	38
	30%	58	53	49	46	43	40
	32%	62	57	52	49	46	43

Source: Source: DNB Carnegie (estimates)

Risks

In this section we present what we consider to be the main risks for Sleep Cycle. This is not intended to be a comprehensive list of the risks that the company may be subject to but rather includes those risks that we consider most relevant. The list is not presented in order of importance.

Currency risk

As Sleep Cycle reports in SEK, has most of its costs in SEK, and most of its revenue in other currencies, there is currency risk. The main currency exposure is to the USD, EUR, JPY and GBP.

Risks related to product

Sleep Cycle is the market-leading sleep tracker and has a technical advantage versus its competitors with its large database of sleep. There is however a risk that a competitor can catch up and provide a better service.

Risk of 'Sherlocking'

Sherlocking is an expression to describe Apple or another tech giant developing a similar app and integrating it into its own offering. We believe this risk cannot be ignored, even though Apple previously acquired a sleep tracking company in 2017 and then discontinued it in 2022. We believe that Apple and Google will be careful about bundling products due to increased antitrust cases against the tech majors.

Risk of substitutes

Wearables are more expensive than Sleep Cycle but could become cheaper, making them a substitute for Sleep Cycle.

Risk related to cybersecurity

While the Sleep Cycle data is anonymously collected there is still a risk of data leaks. This could lead to loss in subscribers.

Estimate changes

Sleep Cycle	New estimates			Old estimates			Abs. Changes			% changes		
(SEKm)	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Sales	**251**	**261**	**290**	**257**	**273**	**293**	-5	-12	-3	**-2.1%**	**-4.3%**	**-1.1%**
COGS	-53	-58	-61	-56	-61	-62	2	3	1			
Gross Profit	**198**	**203**	**229**	**201**	**213**	**232**	-3	-9	-3	**-1.5%**	**-4.3%**	**-1.1%**
Other External Costs	-72	-68	-76	-71	-79	-80	-1	12	4			
Cost of Staff	-56	-63	-67	-56	-59	-63	1	-3	-3			
EBITDA	**73**	**77**	**90**	**77**	**78**	**92**	-4	-1	-2	**-4.7%**	**-1.4%**	**-2.2%**
EO	0	0	0	0	0	0	0	0	0			
Adj. EBITDA	**73**	**77**	**90**	**77**	**78**	**92**	-4	-1	-2	**-4.7%**	**-1.4%**	**-2.2%**
D&A	-6	-7	-7	-6	-7	-7	-1	0	0			
EBIT	**67**	**70**	**83**	**71**	**71**	**85**	-4	-1	-2	**-6.0%**	**-1.5%**	**-2.3%**
Finacials	1	0	0	0	0	0	0	0	0			
EBT	**68**	**70**	**83**	**72**	**71**	**85**	-4	-1	-2	**-5.4%**	**-1.5%**	**-2.3%**
Tax	-14	-15	-16	-15	-15	-16	1	0	0			
Net Income	**54**	**55**	**67**	**57**	**56**	**69**	-3	-1	-2	**-5.3%**	**-1.5%**	**-2.3%**
Revenue Growth Y/Y	-4.0%	4.1%	10.8%	-1.9%	6.5%	7.2%	-2.1%	-2.4%	3.6%	n.m.	-37.0%	49.8%
Gross Profit margin	78.8%	77.8%	79.0%	78.3%	77.8%	79.0%	0.5%	0.0%	0.0%	0.7%	0.0%	0.0%
EBITDA margin	29.1%	29.4%	31.1%	29.9%	28.5%	31.4%	-0.8%	0.9%	-0.3%	-2.7%	3.1%	-1.0%
Adj. EBITDA margin	29.1%	29.4%	31.1%	29.9%	28.5%	31.4%	-0.8%	0.9%	-0.3%	-2.7%	3.1%	-1.0%
EBIT margin	26.6%	26.7%	28.6%	27.7%	26.0%	29.0%	-1.1%	0.8%	-0.4%	-3.9%	2.9%	-1.2%
Segments												
Subscription revenue	237	244	268	243	257	273						
Other revenue	14	17	22	13	16	20						
Subscription revenue Growth Y/Y	-5.9%	2.9%	9.7%	-3.4%	5.7%	6.0%						
Other revenue Growth Y/Y	46.4%	25.8%	26.1%	39.7%	21.3%	26.1%						
KPIs												
Subscribers (thousands)	794	800	856	833	858	892	-39	-59	-36	-4.6%	-6.8%	-4.0%
Subscriber growth Y/Y	-13.5%	0.7%	7.0%	-9.2%	3.0%	3.9%	-4.2%	-2.3%	3.2%	45.6%	-77.5%	81.4%
ARPU	277	295	309	278	294	299	-1	1	10	-0.3%	0.2%	3.2%
ARPU growth Y/Y	-0.7%	6.3%	4.7%	-0.4%	5.8%	1.7%	-0.3%	0.6%	3.0%	n.m.	n.m.	n.m.

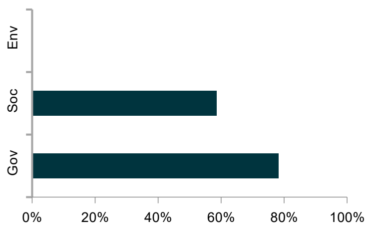
Source: DNB Carnegie (estimates) & company data

Interim figures								
Sleep Cycle		**2024**				**2025**		
(SEKm)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4e**
Sales	**63**	**65**	**66**	**67**	**65**	**64**	**62**	**61**
COGS	-14	-14	-15	-15	-14	-13	-12	-14
Gross Profit	**49**	**51**	**51**	**52**	**51**	**50**	**49**	**48**
Other External Costs	-17	-15	-17	-16	-20	-18	-18	-17
Cost of Staff	-18	-14	-14	-14	-14	-14	-14	-15
EBITDA	**14**	**21**	**21**	**22**	**18**	**19**	**19**	**17**
EO	0	0	0	0	0	0	0	0
Adj. EBITDA	**14**	**21**	**21**	**22**	**18**	**19**	**19**	**17**
D&A	-2	-2	-2	-2	-1	-1	-2	-2
EBIT	**14**	**21**	**21**	**22**	**17**	**18**	**17**	**15**
Finacials	1	0	0	1	0	0	0	0
EBT	**15**	**21**	**21**	**22**	**17**	**18**	**17**	**15**
Tax	-3	-4	-4	-5	-4	-4	-4	-3
Net Income	**12**	**17**	**17**	**18**	**14**	**14**	**14**	**12**
Revenue Growth Y/Y	12.4%	12.4%	7.9%	9.0%	2.3%	-2.9%	-6.6%	-8.4%
Gross Profit margin	77.5%	77.9%	77.9%	78.2%	78.6%	79.1%	79.8%	77.8%
EBITDA margin	22.4%	32.6%	31.8%	33.2%	28.3%	30.4%	30.1%	27.6%
Adj. EBITDA margin	22.4%	32.6%	31.8%	33.2%	28.3%	30.4%	30.1%	27.6%
EBIT margin	21.8%	32.0%	31.3%	32.3%	26.3%	28.3%	27.3%	24.8%
Segments								
Subscription revenue	62	63	63	64	62	60	55	55
Other revenue	2	2	2	3	3	3	4	4
Subscription revenue Growth Y/Y	9.5%	8.7%	4.1%	5.6%	0.5%	-4.5%	-13.7%	-13.8%
Other revenue Growth Y/Y	889%	1694%	1456%	293%	62.1%	43.0%	51.1%	34.8%
KPIs								
Subscribers (thousands)	893	898	915	918	904	878	832	794
Subscriber growth Y/Y	1.4%	2.4%	3.2%	2.8%	1.2%	-2.2%	-9.1%	-13.5%
ARPU	276	282	280	279	272	270	271	272
ARPU growth Y/Y	9.5%	6.8%	1.4%	2.6%	-1.4%	-4.3%	-3.2%	-2.5%

Source: DNB Carnegie (estimates) & company data

DNB Carnegie's Sustainability Scorecard

DNB Carnegie ESG rating: 60%



ESG risk exposure

Fossil fuels	0%
Weapons	0%
Gambling	0%
Country/sector risk	10%
Past incidents	0%

Transition readiness

NZ/Science based targets	n.a.
Decarbonization	n.a.
Carbon intensity (peer quartile)	n.a.
Sustainable products	Favourable
Strategy to scale	Moderate
Sustain. driven growth	Favourable
Non-renew. energy cons.	n.a.
Taxo. aligned rev & capex	No/No

Social & Governance key performance

% women (board/senior exec/total)	25/20/32
Employee turnover rate (%)	na
Absenteeism rate (%)	na
Accident frequency (per mill. hours)	na
Board meetings (number/attendance)	14/68%
Sust. performance in incentive prog.	No
ESG board responsibility	na
Existence of a whistleblowing system	Yes

Material topics for sector:
Diversity | Sustainable solutions | Ethics | Employees | End-users | GHG emissions | Energy use | Water

Sustainability as a business driver

Sleep Cycle's strategy builds on its aspiration to make people healthier by improving sleeping habits through its digital and sustainable product offering. We believe increased sleep awareness globally is one of the company's core growth drivers. This focus is not unique to Sleep Cycle, and from a competitive standpoint there are many providers of digital services and solutions meeting similar needs. However, we understand that Sleep Cycle's leading position provides a better ability to receive user-specific feedback thanks to its larger database, which ultimately means it should have greater prospects for gathering relevant feedback and sleep insights than its competitors.

Furthermore, we believe that the company's latest initiative, to gain FDA approval for sleep apnoea screening, can increase awareness of a disease that, according to the NIH, is underdiagnosed and affects 22 million Americans, potentially leading to various health issues including heart disease, high blood pressure, Type 2 diabetes, and stroke.

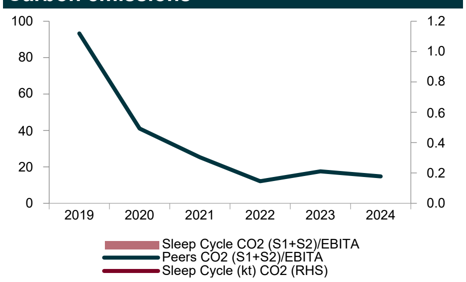
Sustainability targets and achievements

Sleep Cycle has five sustainability focus areas that can be mapped against the UN Sustainable Development Goals: Goals 3 and 17 – Good health and well-being by helping users to sleep better and improve quality of life; Goal 10 – Reduce inequalities by making its software available across the world and all devices; Goal 8 – Decent work and sustainable economic growth by providing an attractive and healthy workplace, where Sleep Cycle strives for equality and diversity by targeting a 40/60 gender balance (32% female employees in 2024); Goal 17 – Partnerships by participating in research and sharing important data that improves understanding of sleep; and Goals 1, 2, 7 and 13 – Reduced climate footprint. Sleep Cycle works actively to reduce its carbon footprint, e.g. its headquarters are in a BREEAM certified building. The company also aims to minimise battery consumption for its app and works with suppliers to minimise emissions from data storage.

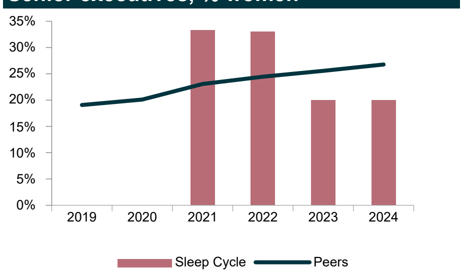
Sustainability related risks and past incidents

We assess environmental risks to be low for Sleep Cycle and believe the most relevant risks are related to user privacy and control of user data. While we believe the company adheres to high standards of customer privacy, with analysis conducted on local devices in real time and fully conditional on user consent, we note that Sleep Cycle controls sensitive user data that could be at risk in the event of data or security breaches. Failing to adhere to data protection and privacy laws could have a material negative effect on the company's brand, reputation and financials. Sleep Cycle has not been involved in any sustainability or privacy related incidents in the past.

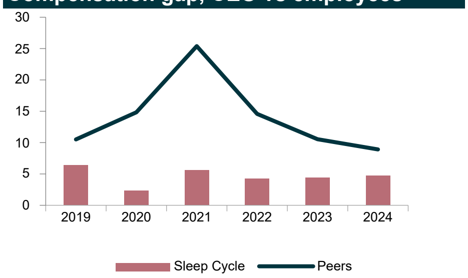
Carbon emissions



Senior executives, % women



Compensation gap, CEO vs employees



Sources this page: DNB Carnegie, company data, FactSet & InFront. Sustainability data as of 1 August 2025.

Financial statements

Profit & loss (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Sales	93	123	159	183	212	236	262	251	261	290
COGS	-25	-30	-40	-44	-50	-54	-58	-53	-58	-61
Gross profit	**68**	**92**	**119**	**139**	**162**	**183**	**204**	**198**	**203**	**229**
Other income & costs	-31	-39	-62	-127	-114	-111	-118	-125	-126	-139
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	**37**	**53**	**57**	**12**	**48**	**71**	**86**	**73**	**77**	**90**
Depreciation PPE	0	0	0	0	0	-1	0	0	-1	-1
Depreciation lease assets	-1	-1	0	-2	-3	-4	-3	-2	-2	-2
Amortisation development costs	0	0	0	0	-2	-4	-5	-5	-4	-4
Amortisation other intangibles	0	0	0	0	0	0	0	0	0	0
Impairments / writedowns	0	0	0	0	0	-6	0	0	0	0
EBITA	**36**	**52**	**56**	**10**	**43**	**57**	**77**	**67**	**70**	**83**
Amortization acquisition related	0	0	0	0	0	0	0	0	0	0
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	**36**	**52**	**56**	**10**	**43**	**57**	**77**	**67**	**70**	**83**
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	0	0	2	2	1	0	0
of which interest income/expenses	0	0	0	0	0	0	2	0	0	0
of which interest on lease liabilities	0	0	0	0	0	-1	0	0	0	0
of which other items	0	0	0	0	0	3	0	1	0	0
Pre-tax profit	**36**	**52**	**56**	**10**	**43**	**58**	**79**	**68**	**70**	**83**
Taxes	-9	-10	-12	-2	-9	-12	-17	-14	-15	-16
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	**27**	**42**	**44**	**8**	**34**	**46**	**63**	**54**	**55**	**67**
Adjusted EBITDA	37	53	64	38	51	76	91	73	77	90
Adjusted EBITA	36	52	64	36	46	68	83	67	70	83
Adjusted EBIT	36	52	64	36	46	68	83	67	70	83
Adjusted net profit	27	42	50	29	36	55	67	54	55	67
Sales growth Y/Y	+chg	31.5%	30.0%	14.7%	15.9%	11.4%	10.7%	-4.0%	4.1%	10.8%
EBITDA growth Y/Y	+chg	43.0%	7.8%	-78.2%	289.3%	48.0%	20.0%	-14.6%	5.3%	17.1%
EBITA growth Y/Y	+chg	44.0%	8.2%	-81.6%	315.6%	32.0%	35.9%	-13.0%	4.4%	18.8%
EBIT growth Y/Y	+chg	44.0%	8.2%	-81.6%	315.6%	32.0%	35.9%	-13.0%	4.4%	18.8%
EBITDA margin	39.6%	43.0%	35.7%	6.8%	22.7%	30.2%	32.7%	29.1%	29.4%	31.1%
EBITA margin	38.7%	42.4%	35.3%	5.6%	20.2%	24.0%	29.4%	26.6%	26.7%	28.6%
EBIT margin	38.7%	42.4%	35.3%	5.6%	20.2%	24.0%	29.4%	26.6%	26.7%	28.6%
Tax rate	25.9%	19.8%	21.5%	20.9%	20.7%	20.8%	20.9%	20.7%	21.0%	20.8%

Cash flow (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	37	53	57	12	48	71	86	73	77	90
Paid taxes	-6	-12	-22	4	-6	-12	-14	-12	-13	-13
Change in NWC	22	14	12	4	18	-9	-10	1	5	2
Interests paid	0	0	0	0	0	3	2	1	0	0
Actual lease payments	-1	-1	0	-1	-3	-5	-4	-1	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	**52**	**54**	**46**	**19**	**57**	**48**	**59**	**63**	**69**	**79**
Capex tangible assets	0	0	0	-1	-1	-2	-1	-2	-2	-2
Capitalised development costs	0	0	0	-5	-7	-5	-3	-7	-8	-9
Capex - other intangible assets	0	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	3	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Total investing activities	**0**	**3**	**0**	**-6**	**-8**	**-7**	**-4**	**-9**	**-10**	**-11**
Dividend paid and received	-23	-43	-51	0	0	-142	-47	-61	-24	-25
Share issues & buybacks	0	0	0	100	17	0	0	0	0	0
Change in bank debt	0	0	0	0	0	0	0	0	0	0
Other cash flow items	0	1	1	0	0	0	2	0	0	0
Total financing activities	**-23**	**-42**	**-51**	**100**	**17**	**-142**	**-44**	**-61**	**-24**	**-25**
Operating cash flow	52	54	46	19	57	48	59	63	69	79
Free cash flow	51	53	45	11	47	40	54	54	59	68
Net cash flow	29	15	-5	112	67	-100	11	-7	35	43
Change in net IB debt	29	15	-6	111	62	-100	12	-8	33	41
Capex / Sales	0.3%	0.1%	0.0%	0.5%	0.4%	0.7%	0.3%	0.8%	0.8%	0.7%
NWC / Sales	-21.7%	-37.4%	-35.8%	-35.6%	-37.2%	-36.4%	-29.3%	-29.0%	-29.1%	-27.6%

Source: DNB Carnegie (estimates) & company data

Financial statements, cont.

Balance sheet (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Acquired intangible assets	0	0	0	0	0	0	0	0	0	0
Other fixed intangible assets	0	0	0	0	0	0	0	0	0	0
Capitalised development	0	0	0	5	10	4	5	7	11	16
Tangible assets	0	0	0	1	1	2	2	4	5	6
Lease assets	2	1	1	2	4	16	11	11	11	11
Other IB assets (1)	0	0	0	0	0	0	0	0	0	0
Other non-IB assets	9	12	0	0	0	0	0	0	0	0
Fixed assets	**11**	**14**	**1**	**8**	**15**	**23**	**18**	**23**	**27**	**33**
Inventories (2)	0	0	0	0	0	0	0	0	0	0
Receivables (2)	1	1	2	24	23	41	41	41	43	46
Prepaid exp. & other NWC items (2)	22	34	39	26	28	31	31	33	34	41
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	10	5	3	2	1	2	2	2
Cash & cash equivalents (1)	50	58	53	166	233	133	145	137	173	216
Current assets	**73**	**93**	**103**	**220**	**287**	**208**	**219**	**214**	**252**	**305**
Total assets	**84**	**107**	**105**	**228**	**303**	**231**	**236**	**236**	**280**	**338**
Shareholders' equity	7	7	0	109	157	61	79	73	104	146
Minorities	0	0	0	0	0	0	0	0	0	0
Other equity	0	0	0	0	0	0	0	0	0	0
Total equity	**7**	**7**	**0**	**109**	**157**	**61**	**79**	**73**	**104**	**146**
Deferred tax	0	0	0	0	0	0	1	3	5	7
LT IB debt (1)	0	0	0	0	0	0	0	0	0	0
Other IB provisions (1)	0	0	0	0	0	0	0	0	0	0
Lease libilities	1	1	1	2	4	16	12	13	15	17
Other non-IB liabilities	0	0	0	0	0	0	0	0	0	0
LT liabilities	**1**	**1**	**1**	**2**	**4**	**16**	**12**	**16**	**20**	**24**
ST IB debt (1)	0	0	0	0	0	0	0	0	0	0
Payables (2)	3	1	7	10	14	14	15	14	15	16
Accrued exp. & other NWC items (2)	61	85	97	107	128	140	130	134	141	152
Other ST non-IB liabilities	12	13	0	0	0	0	0	0	0	0
Liabilities - assets held for sale	0	0	0	0	0	0	0	0	0	0
Current liabilities	**76**	**99**	**104**	**116**	**142**	**154**	**145**	**148**	**156**	**168**
Total equity and liabilities	**84**	**107**	**105**	**228**	**303**	**231**	**236**	**236**	**280**	**338**
Net IB debt (=1)	-48	-57	-52	-163	-229	-118	-133	-124	-158	-199
Net working capital (NWC) (=2)	-41	-51	-63	-67	-90	-81	-72	-74	-79	-81
Capital employed (CE)	0	-4	1	111	161	77	92	89	123	170
Capital invested (CI)	-38	-49	-62	-64	-85	-63	-59	-58	-62	-63
Equity / Total assets	9%	6%	0%	48%	52%	26%	34%	31%	37%	43%
Net IB debt / EBITDA	-1.3	-1.1	-0.9	-13.2	-4.8	-1.6	-1.6	-1.7	-2.1	-2.2

Per share data (SEK)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Adj. no. of shares in issue YE (m)	0.15	18.00	18.00	19.43	20.28	20.28	20.28	20.28	20.28	20.28
Diluted no. of Shares YE (m)	0.15	18.00	18.00	20.28	20.28	20.28	20.28	20.28	20.28	20.28
EPS	177.9	4.59	2.45	0.40	1.67	2.27	3.09	2.65	2.71	3.31
EPS adj.	177.9	4.59	2.77	1.42	1.78	2.71	3.31	2.65	2.71	3.31
CEPS	180.0	4.62	2.46	0.43	1.80	2.82	3.31	2.93	3.05	3.66
DPS	288.9	342.9	0.00	0.00	7.00	1.02	3.00	1.19	1.22	1.49
BVPS	47.9	0.39	0.01	5.61	7.72	3.01	3.92	3.59	5.11	7.20

Performance measures	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
ROE	742.4%	589.9%	1248.2%	14.9%	25.5%	42.4%	89.1%	70.5%	62.4%	53.7%
Adj. ROCE pre-tax	na	-2387.1%	-3765.2%	64.7%	33.6%	58.4%	101.5%	75.1%	65.8%	56.4%
Adj. ROIC after-tax	na	-95.5%	-90.1%	-45.9%	-48.7%	-72.5%	-106.8%	-90.6%	-91.8%	-104.5%

Valuation	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
FCF yield	10.9%	11.3%	9.6%	2.4%	10.0%	8.4%	11.4%	11.6%	12.6%	14.5%
Dividend yield YE	na	na	na	0.0%	16.2%	2.7%	8.0%	5.1%	5.3%	6.4%
Dividend payout ratio	162.4%	7472.8%	0.0%	0.0%	418.7%	45.0%	97.2%	45.0%	45.0%	45.0%
Dividend + buy backs yield YE	na	na	na	0.0%	16.2%	6.0%	8.0%	5.1%	5.3%	0.0%
EV/Sales YE	na	na	na	6.20	3.05	2.82	2.40	1.38	1.19	0.93
EV/EBITDA YE	na	na	na	>50	13.4	9.3	7.4	4.7	4.1	3.0
EV/EBITA YE	na	na	na	>50	15.1	11.7	8.2	5.2	4.5	3.3
EV/EBITA adj. YE	na	na	na	31.2	14.2	9.8	7.6	5.2	4.5	3.3
EV/EBIT YE	na	na	na	>50	15.1	11.7	8.2	5.2	4.5	3.3
P/E YE	na	na	na	>50	25.8	17.0	12.2	8.7	8.5	7.0
P/E adj. YE	na	na	na	45.2	24.2	14.3	11.4	8.7	8.5	7.0
P/BV YE	na	na	na	11.42	5.60	12.83	9.60	6.45	4.53	3.22
Share price YE (SEK)				64.0	43.2	38.6	37.6	23.2		

Source: DNB Carnegie (estimates) & company data

Disclosures and disclaimers

DNB Carnegie

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DNB Bank ASA
DNB Carnegie
Dronning Eufemias gate 30
0191 Oslo | Norway
Telephone: +47 915 04800

www.dnb.no

DNB Carnegie Investment Bank AB

Regeringsgatan 56
103 38 Stockholm | Sweden
Telephone: +46 8 676 88 00

www.dnbcarnegie.se

DNB Carnegie Investment Bank,
Denmark Branch
Overgaden neden Vandet 9B PO Box 1935
1414 Copenhagen K | Denmark
Telephone: +45 32 88 02 00

DNB Bank ASA, Singapore Branch
DNB Carnegie
1 Wallich Street Downtown Core 06
#30-01, Guoco Tower,Singapore 078881
Telephone: +65 6260 0111

DNB Carnegie Investment Bank AB,
Finland Branch
Eteläesplanadi 2 PO Box 36
FI-00131 Helsinki | Finland
Telephone: +358 9 618 71 230

DNB Bank ASA, London Branch
DNB Carnegie
The Walbrook Building, 25 Walbrook
London EC4N 8AF | England
Telephone: +44 20 7216 4000

DNB Carnegie Investment Bank AB,
UK Branch
Finwell House, 26 Finsbury Square
London EC2A 1DS | England
Telephone: +44 20 7216 4000

DNB Carnegie, Inc.

30 Hudson Yards
New York, NY 10001 USA
Telephone: +1 212 551 9800