

Recommendation - Buy

Thesis I:
R&D Creating Organic Growth

- Casper has a strong competitive advantage in its market positioning due to R&D of ~\$12.3M (89.2% increase YOY).
- 16% of customers make repeat purchases in a traditionally slow replacement cycle business.
- R&D cannibalizes the gross margin Casper generates – profitability is achievable, but the importance to invest in its product is vital to Casper’s long-term growth and sustainability.

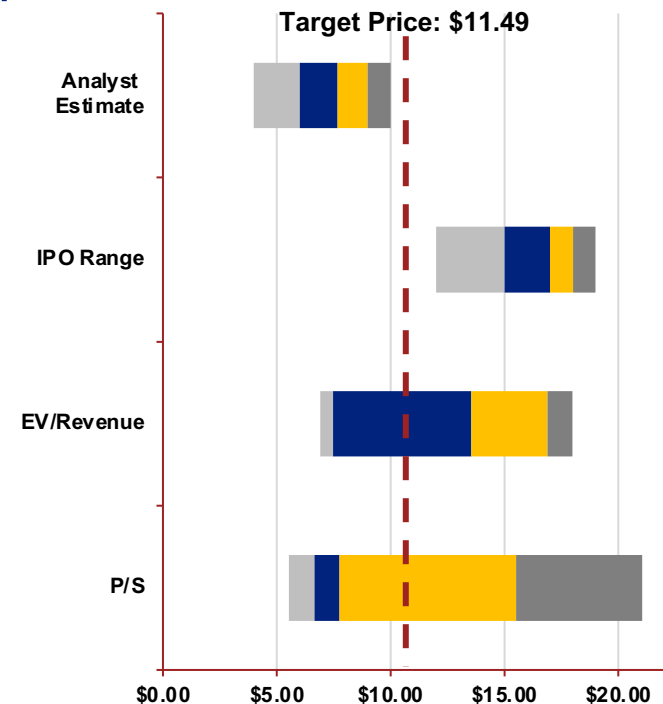
Thesis II:
Existing Presence in E-commerce

- During COVID-19, Casper has been well-positioned in the industry, and it has increased brand & product awareness during Q1’20 resulting in solid financial results and strong start to Q2’20.
- Total revenue increased 26.4% even with stores closed in Q1’20 due to the increase in e-commerce sales of 35% last month.
- The absence of intermediaries has allowed Casper to continue operations during COVID-19.

Thesis III:
Expansion Through Direct-to-Consumer and Retail Partnerships

- 23% of customers in the direct-to-consumer channel make repeat purchases – showcasing the quality of Casper’s products.
- Casper’s presence in retail stores is complementary to their e-commerce creating a “network effect” ultimately increasing sales.
- Growing their offline presence is as important to their online as it’ll only elevate the reach of Casper’s digital consumer experience.

Valuation Range¹



Recommendation

We recommend Casper as a **Buy** with a **12month** price target of **\$11.49**, which represent an upside of **74.68%** from the current share price of **\$6.58**.

1. Sleep Country Canada, Purple Innovation, Tempur Sealy International, Sleep Number, and Wayfair are being selected for Casper’s relative valuation.

BUSINESS DESCRIPTION



Company Overview

- Casper Sleep Inc. (NYSE: CSPR) designs and sells sleep products to American, Canadian, and European consumers.
- Headquartered in New York, the company was incorporated in 2013 and aim to disrupt the current traditional mattress industry. It has soon dominated the online mattress retailing with its unique retail experience.
- Casper distributes its products through its e-commerce platform, 60 retail stores, and 18 retail partners.
- Casper's IPO on Feb. 6th, 2020 was priced at \$12, a discount from its previously indicated IPO price range of \$17-\$19.
- Before IPO, Casper has secured a \$100 million Series D investment from existing investors Target, NEA, IVP and Norwest Venture Partners at a valuation of \$1.1 billion.
- Casper has a current market cap of \$251.1 million and 597 full time

Management Team



Philip Krim

Chief Executive Officer

Co-Founded the company with Jeffrey and Neil in 2013. Philip has many years of experience as CEO of various companies.



Emilie Arel

Chief Commercial Officer

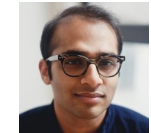
Years of retail experience in companies such as Gap, Quidsi, Fullbeauty Brands.



Jeffrey Chapin

Chief of Product

Prior, Jeffrey was a designer at IDEO and received an M.S. in Product Design from Stanford University and B.S.E in Civil Engineering from Princeton.



Neil Parikh

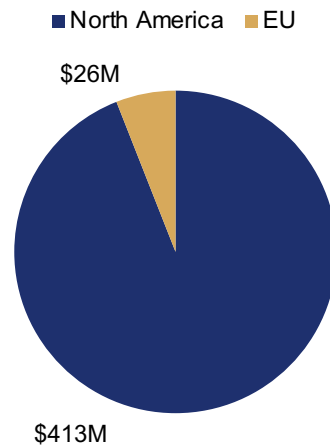
Chief Strategy Officer

Neil has many years of experience in startups and strong knowledge of the sleep industry.

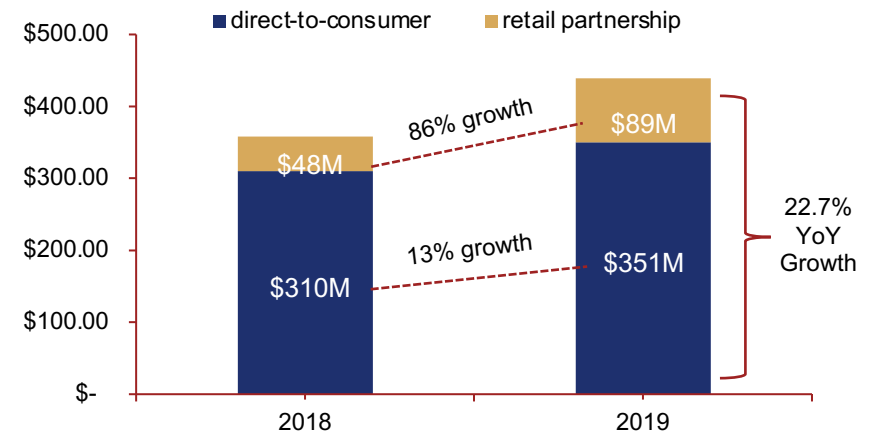
Product Mix



Geographic Breakdown



Revenue Breakdown



Casper has a strong management team with great competitive position to gain from the COVID-19 recovery

CATALYST AND RISK

