

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended September 30, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from
to

Commission file number 001-31922

TEMPUR SEALY INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

33-1022198
(I.R.S. Employer Identification No.)

**1000 Tempur Way
Lexington, Kentucky 40511**
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: (800) 878-8889

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging Growth Company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of November 6, 2017 was 54,180,629 shares.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which includes information concerning one or more of our plans; objectives; goals; strategies; future events; future revenues or performance; our implementation of our key strategic priorities and anticipated resulting growth in our sales, earnings and cash flow in both the United States and internationally; uncertainties arising from global events; general economic, financial and industry conditions, particularly in the retail sector, as well as consumer confidence and the availability of consumer financing; competition in our industry; consumer acceptance of our products; the ability to continuously improve and expand our product line, maintain efficient, timely and cost-effective production and delivery of products, and manage growth; the ability to expand brand awareness, distribution and new products; the efficiency and effectiveness of our advertising campaigns and other marketing programs; the ability to increase sales productivity within existing retail accounts and to further penetrate the wholesale channel, including the timing of opening or expanding within large retail accounts and the timing and success of product launches; the effects of consolidation of retailers on revenues and costs; changes in demand for the Company's products by significant retailer customers; the effects of strategic investments on our operations, including our efforts to expand our global market share; changing commodity costs; changes in product and channel mix and the impact on the Company's gross margin; initiatives to improve gross margin and operating margin; our capital structure and increased debt level, including our ability to meet financial obligations and continue to comply with the terms and financial ratio covenants of our credit facilities; changes in interest rates; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carry forwards; effects of changes in foreign exchange rates on our reported earnings; the outcome of pending tax audits or other tax, regulatory or litigation proceedings and similar issues; the effect of future legislative or regulatory changes; financial flexibility; our expected sources of cash flow; our expected level of capital expenditures for 2017 and changes in capital expenditures; expectations regarding the impact of costs from headcount reductions and international store closures; and our ability to effectively manage cash. Many of these statements appear, in particular, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 2 of Part I of this Report. When used in this report, the words "estimates," "expects," "guidance," "anticipates," "proposed," "projects," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon our current expectations and various assumptions. There can be no assurance that we will realize our expectations or that our beliefs will prove correct.

There are a number of risks, uncertainties and other important factors, many of which are beyond the Company's control, that could cause our actual results to differ materially from those expressed as forward-looking statements in this report, including the risk factors discussed under the heading "Risk Factors" under ITEM 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016 and the risks identified in ITEM 1A of this Report. There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us apply only as of the date of this Report and are expressly qualified in their entirety by the cautionary statements included in this Report. Except as may be required by law, we undertake no obligation to publicly update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

When used in this Report, except as specifically noted otherwise, the term "Tempur Sealy International" refers to Tempur Sealy International, Inc. only, and the terms "Company," "we," "our," "ours" and "us" refer to Tempur Sealy International, Inc. and its consolidated subsidiaries. When used in this Report, the term "Sealy" refers to Sealy Corporation and its historical subsidiaries. In addition, when used in this Report "2016 Credit Agreement" refers to the Company's senior credit facility entered into in the first quarter of 2016; "2012 Credit Agreement" refers to the Company's prior senior credit facility entered into in 2012; "2026 Senior Notes" refers to the 5.50% senior notes due 2026 issued in 2016; and "2023 Senior Notes" refers to the 5.625% senior notes due 2023 issued in 2015.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(\$ in millions, except per common share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$ 724.8	\$ 832.4	\$ 2,106.2	\$ 2,357.8
Cost of sales	412.6	470.3	1,238.8	1,367.8
Gross profit	312.2	362.1	867.4	990.0
Selling and marketing expenses	155.4	175.2	461.4	498.1
General, administrative and other expenses	71.0	64.0	206.5	207.6
Customer termination charges, net	—	—	14.4	—
Equity income in earnings of unconsolidated affiliates	(3.5)	(2.4)	(10.6)	(8.6)
Royalty income, net of royalty expense	(5.3)	(5.8)	(15.0)	(15.1)
Operating income	94.6	131.1	210.7	308.0
Other expense, net:				
Interest expense, net	32.0	20.5	76.2	65.0
Loss on extinguishment of debt	—	—	—	47.2
Other expense (income), net	1.1	0.3	(8.4)	—
Total other expense, net	33.1	20.8	67.8	112.2
Income before income taxes	61.5	110.3	142.9	195.8
Income tax provision	(20.3)	(33.7)	(48.0)	(60.2)
Net income before non-controlling interests	41.2	76.6	94.9	135.6
Less: Net loss attributable to non-controlling interests	(3.4)	(1.2)	(8.1)	(3.1)
Net income attributable to Tempur Sealy International, Inc.	\$ 44.6	\$ 77.8	\$ 103.0	\$ 138.7
Earnings per common share:				
Basic	\$ 0.83	\$ 1.34	\$ 1.91	\$ 2.31
Diluted	\$ 0.81	\$ 1.32	\$ 1.89	\$ 2.28
Weighted average common shares outstanding:				
Basic	54.0	58.2	54.0	60.1
Diluted	54.9	58.8	54.6	60.8

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income before non-controlling interests	\$ 41.2	\$ 76.6	\$ 94.9	\$ 135.6
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	9.6	(5.0)	27.7	11.8
Unrealized loss on cash flow hedging derivatives, net of tax	—	(0.2)	(0.6)	(6.1)
Other comprehensive income (loss), net of tax	9.6	(5.2)	27.1	5.7
Comprehensive income	50.8	71.4	122.0	141.3
Less: Comprehensive loss attributable to non-controlling interests	(3.4)	(1.2)	(8.1)	(3.1)
Comprehensive income attributable to Tempur Sealy International, Inc.	\$ 54.2	\$ 72.6	\$ 130.1	\$ 144.4

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ in millions)

	September 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41.8	\$ 65.7
Accounts receivable, net	363.6	345.1
Inventories	188.8	196.8
Prepaid expenses and other current assets	63.1	63.9
Total Current Assets	657.3	671.5
Property, plant and equipment, net	424.1	422.2
Goodwill	732.9	722.5
Other intangible assets, net	671.9	678.7
Deferred income taxes	27.3	22.5
Other non-current assets	221.8	185.2
Total Assets	\$ 2,735.3	\$ 2,702.6
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 244.7	\$ 219.3
Accrued expenses and other current liabilities	273.2	250.1
Income taxes payable	26.4	5.8
Current portion of long-term debt	66.3	70.3
Total Current Liabilities	610.6	545.5
Long-term debt, net	1,686.7	1,817.8
Deferred income taxes	160.4	174.6
Other non-current liabilities	190.0	169.3
Total Liabilities	2,647.7	2,707.2
Commitments and contingencies—see Note 8		
Redeemable non-controlling interest		
	3.4	7.6
Total Stockholders' Equity (Deficit)	84.2	(12.2)
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity (Deficit)	\$ 2,735.3	\$ 2,702.6

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)

(unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before non-controlling interests	\$ 94.9	\$ 135.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60.7	54.3
Amortization of stock-based compensation	8.5	15.3
Amortization of deferred financing costs	1.6	3.0
Bad debt expense	10.1	3.2
Deferred income taxes	(18.4)	(15.7)
Dividends received from unconsolidated affiliates	8.7	7.3
Equity income in earnings of unconsolidated affiliates	(10.6)	(8.6)
Non-cash interest expense on 8.0% Sealy Notes	—	4.0
Loss on extinguishment of debt	—	47.2
(Gain) loss on sale of assets	(0.4)	0.8
Foreign currency adjustments and other	(2.3)	(1.5)
Changes in operating assets and liabilities	49.7	(135.1)
Net cash provided by operating activities	202.5	109.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(43.4)	(41.9)
Other	4.9	—
Net cash used in investing activities	(38.5)	(41.9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under long-term debt obligations	985.9	1,871.5
Repayments of borrowings under long-term debt obligations	(1,124.7)	(1,659.3)
Proceeds from exercise of stock options	6.5	15.2
Excess tax benefit from stock-based compensation	—	6.0
Treasury stock repurchased	(44.9)	(319.7)
Payments of deferred financing costs	(0.5)	(6.6)
Fees paid to lenders	—	(7.8)
Call premium on 2020 Senior Notes	—	(23.6)
Other	(2.9)	0.1
Net cash used in financing activities	(180.6)	(124.2)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(7.3)	(8.6)
Decrease in cash and cash equivalents	(23.9)	(64.9)
CASH AND CASH EQUIVALENTS, beginning of period	65.7	153.9
CASH AND CASH EQUIVALENTS, end of period	\$ 41.8	\$ 89.0
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 59.0	\$ 41.0
Income taxes, net of refunds	45.3	57.2

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited)

(1) Summary of Significant Accounting Policies

(a) *Basis of Presentation and Description of Business.* Tempur Sealy International, Inc., a Delaware corporation, together with its subsidiaries is a U.S. based, multinational company. The term "Tempur Sealy International" refers to Tempur Sealy International, Inc. only, and the term "Company" refers to Tempur Sealy International, Inc. and its consolidated subsidiaries.

The Company develops, manufactures, markets and sells bedding products, which include mattresses, foundations and adjustable bases, and other products, which include pillows and other accessories. The Company also derives income from royalties by licensing Sealy® and Stearns & Foster® brands, technology and trademarks to other manufacturers. The Company sells its products through two sales channels: Wholesale and Direct.

The Company's Condensed Consolidated Financial Statements include the results of Comfort Revolution, LLC ("Comfort Revolution"), a 45.0% owned joint venture. Comfort Revolution constitutes a variable interest entity for which the Company is considered to be the primary beneficiary due to the Company's disproportionate share of the economic risk associated with its equity contribution, debt financing and other factors. The operations of Comfort Revolution are not material to the Company's Condensed Consolidated Financial Statements.

The Company also has ownership interests in a group of Asia-Pacific joint ventures to develop markets for Sealy® branded products in those regions. The Company's ownership interest in these joint ventures is 50.0%. The equity method of accounting is used for these joint ventures, over which the Company has significant influence but does not have control, and consolidation is not otherwise required. The Company's carrying value in its equity method investments of \$18.8 million and \$15.5 million at September 30, 2017 and December 31, 2016, respectively, is recorded in other non-current assets within the accompanying Condensed Consolidated Balance Sheets. The Company's equity in the net income and losses of these investments is recorded as equity income in earnings of unconsolidated affiliates in the accompanying Condensed Consolidated Statements of Income.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States ("GAAP") for interim financial reporting. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes for the year ended December 31, 2016, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2017.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. It is the opinion of management that all necessary adjustments for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

(b) *Inventories.* Inventories are stated at the lower of cost or market, determined by the first-in, first-out method, and consist of the following:

(in millions)	September 30,	December 31,
	2017	2016
Finished goods	\$ 127.6	\$ 130.1
Work-in-process	11.3	10.7
Raw materials and supplies	49.9	56.0
	<u>\$ 188.8</u>	<u>\$ 196.8</u>

(c) *Accrued Sales Returns.* The Company allows product returns through certain sales channels and on certain products. Estimated sales returns are provided at the time of sale based on historical sales channel return rates. Estimated future obligations related to these products are provided by a reduction of sales in the period in which the revenue is recognized. Accrued sales returns are included in accrued expenses and other current liabilities in the accompanying Condensed Consolidated Balance Sheets.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The Company had the following activity for sales returns from December 31, 2016 to September 30, 2017:

(in millions)

Balance as of December 31, 2016	\$	30.3
Amounts accrued		88.1
Returns charged to accrual		(85.5)
Balance as of September 30, 2017	\$	32.9

(d) *Warranties.* The Company provides warranties on certain products, which vary by segment, product and brand. Estimates of warranty expenses are based primarily on historical claims experience and product testing. Estimated future obligations related to these products are charged to cost of sales in the period in which the related revenue is recognized. The Company considers the impact of recoverable salvage value on warranty costs in determining its estimate of future warranty obligations.

The Company provides warranties on mattresses with varying warranty terms. Tempur-Pedic mattresses sold in the North America segment and all Sealy mattresses have warranty terms ranging from 10 to 25 years, generally non-prorated for the first 10 to 15 years and then prorated for the balance of the warranty term. Tempur-Pedic mattresses sold in the International segment have warranty terms ranging from 5 to 15 years, non-prorated for the first 5 years and then prorated on a straight-line basis for the last 10 years of the warranty term. Tempur-Pedic pillows have a warranty term of 3 years, non-prorated.

The Company had the following activity for its accrued warranty expense from December 31, 2016 to September 30, 2017:

(in millions)

Balance as of December 31, 2016	\$	29.9
Amounts accrued		29.0
Warranties charged to accrual		(20.0)
Balance as of September 30, 2017	\$	38.9

As of September 30, 2017 and December 31, 2016, \$19.9 million and \$14.3 million of accrued warranty expense is included as a component of accrued expenses and other current liabilities and \$19.0 million and \$15.6 million of accrued warranty expense is included in other non-current liabilities in the Company's accompanying Condensed Consolidated Balance Sheets, respectively.

(e) *Revenue Recognition.* Sales of products are recognized when persuasive evidence of an arrangement exists, title passes to customers and the risks and rewards of ownership are transferred, the sales price is fixed or determinable and collectability is reasonably assured. The Company extends volume discounts to certain customers, as well as promotional allowances, floor sample discounts, commissions paid to retail associates and slotting fees, and reflects these amounts as a reduction of sales at the time revenue is recognized based on historical experience. The Company also reports sales net of tax assessed by qualifying governmental authorities. The Company extends credit based on the creditworthiness of its customers. No collateral is required on sales made in the normal course of business.

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's accounts receivable. The Company regularly reviews the adequacy of its allowance for doubtful accounts. The Company determines the allowance based on historical write-off experience and current economic conditions and also considers factors such as customer credit, past transaction history with the customer and changes in customer payment terms when determining whether the collection of a customer receivable is reasonably assured. Account balances are charged off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts included in accounts receivable, net in the accompanying Condensed Consolidated Balance Sheets was \$26.7 million and \$22.1 million as of September 30, 2017 and December 31, 2016, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(f) *Derivative Financial Instruments.* Derivative financial instruments are used in the normal course of business to manage interest rate and foreign currency exchange risks. The financial instruments used by the Company are straight-forward, non-leveraged instruments. The counterparties to these financial instruments are financial institutions with strong credit ratings. The Company maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit ratings of these institutions. For all transactions designated as hedges, the hedging relationships are formally documented at the inception and on an ongoing basis in offsetting changes in cash flows of the hedged transaction.

The Company records derivative financial instruments in the Condensed Consolidated Balance Sheets as either an asset or liability measured at its fair value. Changes in a derivative's fair value (i.e. unrealized gains or losses) are recorded each period in earnings or other comprehensive income, depending on whether the derivative is designated and is effective as a hedged transaction, and on the type of hedging relationship.

For derivative financial instruments that are designated as a hedge, unrealized gains and losses related to the effective portion are either recognized in income immediately to offset the realized gain or loss on the hedged item, or are deferred and reported as a component of accumulated other comprehensive loss ("AOCL") in stockholders' equity and subsequently recognized in net income when the hedged item affects net income. The change in fair value of the ineffective portion of a derivative financial instrument is recognized in net income immediately. The effectiveness of the cash flow hedge contracts, including time value, is assessed prospectively and retrospectively on a monthly basis using regression analysis, as well as other timing and probability criteria. For derivative instruments that are not designated as hedges, the gain or loss related to the change in fair value is also recorded in net income immediately.

The Company manages a portion of the risk associated with fluctuations in foreign currencies related to intercompany and third party inventory purchases denominated in foreign currencies through foreign exchange forward contracts designated as cash flow hedges. During 2017, the Company had foreign exchange forward contracts designated as cash flow hedges to buy U.S. dollars and to sell Canadian dollars. These foreign exchange forward contracts matured in September 2017.

The Company is also exposed to foreign currency risk related to intercompany debt and associated interest payments and certain intercompany accounts receivable and accounts payable. To manage the risk associated with fluctuations in foreign currencies related to these assets and liabilities, the Company enters into foreign exchange forward contracts. The Company considers these contracts to be economic hedges. Accordingly, changes in the fair value of these instruments affect earnings during the current period. These foreign exchange forward contracts protect against the reduction in value of forecasted foreign currency cash flows resulting from payments in foreign currencies.

The fair value of the Company's derivative financial instruments that are recorded on a recurring basis at fair value is not material.

(g) *Income Taxes.* Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are also recognized for the estimated future effects of tax loss carry forwards. The effect of changes in tax rates on deferred taxes is recognized in the period in which any such change is enacted. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts expected to be realized. The Company accounts for uncertain foreign and domestic tax positions utilizing an established recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

(h) *Customer Contract Termination.* During the week of January 23, 2017, the Company was unexpectedly notified by the senior management of Mattress Firm, Inc. ("Mattress Firm") and representatives of Steinhoff International Holdings Ltd. ("Steinhoff"), its parent company, of Mattress Firm's intent to terminate its business relationship with the Company if the Company did not agree to considerable changes to its agreements with Mattress Firm, including significant economic concessions. The Company engaged in discussions to facilitate a mutually agreeable supply arrangement with Mattress Firm. However, the parties were unable to reach an agreement, and on January 27, 2017, Tempur-Pedic North America, LLC ("Tempur-Pedic") and Sealy Mattress Company ("Sealy Mattress") issued formal termination notices for all of their products to Mattress Firm. On January 30, 2017, Tempur-Pedic and Sealy Mattress entered into transition agreements with Mattress Firm in which they agreed, among other things, to continue supplying Mattress Firm until April 3, 2017, at which time the parties' business relationship ended.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

In the first quarter of 2017, the Company took steps to manage its cost structure as a result of the termination of the contracts with Mattress Firm. For the three months ended March 31, 2017, the Company recognized \$25.9 million of net charges associated with the termination of the relationship with Mattress Firm. This amount includes \$11.5 million of charges within cost of sales and \$14.4 million of charges within customer termination charges, net in the Condensed Consolidated Statements of Income. The following amounts are recognized in cost of sales: \$5.4 million of charges related to the write-off of customer-unique inventory and \$6.1 million of increased warranty costs associated with claims historically retained by Mattress Firm. The following amounts are recognized in customer termination charges, net: \$22.8 million of charges related to the write-off of Mattress Firm incentives and marketing assets, employee-related expenses and professional fees; and \$0.9 million of accelerated stock-based compensation expense. These charges are offset by \$9.3 million of benefit related to the change in estimate associated with performance-based stock compensation that is no longer probable of payout as a result of the termination of the contracts with Mattress Firm.

In the three months ended March 31, 2017, the Company also recognized \$9.3 million related to the payments received pursuant to the transition agreements with Mattress Firm. This amount is included within other income, net in the Condensed Consolidated Statements of Income.

The termination of the Mattress Firm relationship was identified by the Company as an indicator of potential impairment. The Company conducted an interim impairment analysis as of March 31, 2017 of its North America reporting unit and indefinite-lived intangible assets, which indicated that the fair values were substantially in excess of their carrying values. The Company also conducted a recoverability analysis of its long-lived assets and did not identify an impairment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(2) Recently Issued Accounting Pronouncements*Revenue from Contracts with Customers*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue From Contracts With Customers*, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This ASU is based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The new standard is effective for the Company on January 1, 2018 and the Company will be using the modified retrospective method of adoption.

The Company has conducted a risk assessment and has developed a transition plan that will enable the Company to meet the implementation requirement. Revenue streams and performance obligations include product sales, sales-based royalties and warranties. The Company's contracts also include forms of variable consideration, including rebates (volume, cash and cooperative advertising), trade or other support, free products, slotting fees, and sales returns. Based on the evaluation of the Company's current contracts and the related revenue streams and performance obligations, most will be recorded consistently under both the current and new standard. The majority of the Company's revenue transactions are not accounted for under industry-specific guidance that will be superseded by ASC 606 and generally consist of a single performance obligation to transfer promised goods.

Upon adoption of ASC 606, the Company expects the largest impacts to result from the new qualitative and quantitative disclosures that will be required upon adoption of the new standard. Other anticipated presentation and disclosure changes include the reclassification of royalty income to revenue and changes in the balance sheet classification for sales returns. Under the new standard, the Company will continue to recognize the amount of consideration received or receivable that is expected to be returned as a refund liability, representing the Company's obligation to return the customer's consideration. The Company will also recognize a return asset (and adjust cost of sales) for the right to recover the goods returned by the customer, which will be subject to impairment assessments. The Company evaluated the impact of the adoption on the classification of cooperative advertising programs and other promotional programs with the Company's customers. The impact of adoption to these promotional programs is not expected to result in material changes in the Company's recognition or presentation of costs within the Company's consolidated statements of comprehensive income.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that requires lessees to recognize most leases on the balance sheet and provides for expanded disclosures on key information about leasing arrangements. This ASU is effective for interim and annual periods beginning after December 15, 2018, however early adoption is permitted. In transition, entities are required to use a modified retrospective approach for the adoption of this ASU. The Company is currently evaluating this ASU to determine the impact it will have on the Company's Condensed Consolidated Financial Statements.

Employee Share-Based Payments

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, that simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The Company adopted this ASU as of January 1, 2017. As a result of the adoption of this ASU:

- The Company recognized all excess tax benefits and tax deficiencies as income tax expense or benefit in the Condensed Consolidated Statement of Income. The Company recognized excess tax benefits of \$0.3 million and excess tax deficiencies of \$0.8 million in the three and nine months ended September 30, 2017, respectively.
- The Company is prospectively presenting these excess tax benefits and tax deficiencies as an operating activity on the Condensed Consolidated Statement of Cash Flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

- The Company adopted a change in accounting policy to recognize forfeitures of awards as they occur instead of estimating potential forfeitures. Historically, the Company estimated the number of awards expected to be forfeited and adjusted the estimate when it was no longer probable that employees would fulfill their service conditions. The effect of this change in accounting policy is not material.

Pensions

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which is accounting guidance that will change how employers who sponsor defined benefit pension and/or postretirement benefit plans present the net periodic benefit cost in the Condensed Consolidated Statements of Income. This guidance requires employers to present the service cost component of net periodic benefit cost in the same caption within the Condensed Consolidated Statements of Income as other employee compensation costs from services rendered during the period. All other components of the net periodic benefit cost will be presented separately outside of the operating income caption. This guidance must be applied retrospectively and will become effective for the Company on January 1, 2018. Adoption of this guidance will result in a reclassification of pension and other postretirement plan non-service income and remeasurement adjustments, net from within operating income to non-operating income.

(3) Goodwill

The following summarizes changes to the Company's goodwill, by segment:

(in millions)	North America	International	Consolidated
Balance as of December 31, 2016	\$ 572.0	\$ 150.5	\$ 722.5
Foreign currency translation	4.9	5.5	10.4
Balance as of September 30, 2017	\$ 576.9	\$ 156.0	\$ 732.9

(4) Debt

Debt for the Company consists of the following:

(in millions, except percentages)	September 30, 2017		December 31, 2016		Maturity Date
	Amount	Rate	Amount	Rate	
2016 Credit Agreement					
Term A Facility	\$ 562.5	(1)	\$ 585.0	(2)	April 6, 2021
Revolver	—	(1)	156.9	(2)	April 6, 2021
2026 Senior Notes	600.0	5.500%	600.0	5.500%	June 15, 2026
2023 Senior Notes	450.0	5.625%	450.0	5.625%	October 15, 2023
Securitized debt	46.5	(3)	—	N/A	April 12, 2019
Capital lease obligations ⁽⁴⁾	73.2		73.3		Various
Other	30.7		35.8		Various
Total debt	1,762.9		1,901.0		
Less: deferred financing costs	(9.9)		(12.9)		
Total debt, net	1,753.0		1,888.1		
Less: current portion	(66.3)		(70.3)		
Total long-term debt, net	\$ 1,686.7		\$ 1,817.8		

(1) Interest at LIBOR plus applicable margin of 1.75% as of September 30, 2017.

(2) Interest at LIBOR plus applicable margin of 1.50% as of December 31, 2016.

(3) Interest at one month LIBOR index plus 80 basis points.

(4) Capital lease obligations are a non-cash financing activity.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

2016 Credit Agreement

On April 6, 2016, the Company entered into a senior secured credit agreement ("2016 Credit Agreement") with a syndicate of banks. The 2016 Credit Agreement replaced the Company's 2012 Credit Agreement.

The 2016 Credit Agreement requires compliance with certain financial covenants providing for maintenance of a minimum consolidated interest coverage ratio, maintenance of a maximum consolidated total net leverage ratio, and maintenance of a maximum consolidated secured net leverage ratio. The consolidated total net leverage ratio is calculated using consolidated funded debt less qualified cash. Consolidated funded debt includes debt recorded in the Condensed Consolidated Balance Sheets as of the reporting date, plus letters of credit outstanding and other short-term debt. The Company is allowed to subtract from consolidated funded debt an amount equal to 100.0% of domestic qualified cash and 60.0% of foreign qualified cash, the aggregate of which cannot exceed \$150.0 million at the end of the reporting period. As of September 30, 2017, domestic qualified cash was \$17.2 million and foreign qualified cash was \$14.7 million.

The Company is in compliance with all applicable covenants as of September 30, 2017.

Securitized Debt

On April 12, 2017, the Company and certain of its subsidiaries entered into a securitization transaction with respect to certain accounts receivable due to the Company and certain of its subsidiaries (the "Accounts Receivable Securitization"). In connection with this transaction, the Company and its wholly-owned special purpose subsidiary, Tempur Sealy Receivables, LLC, entered into a credit agreement that provides for revolving loans to be made from time to time in a maximum amount that varies over the course of the year based on the seasonality of our accounts receivable and is subject to an overall limit of \$120.0 million.

The obligations of the Company under the Accounts Receivable Securitization are secured by the accounts receivable and certain related rights and the facility agreements contain customary events of default. The accounts receivable will continue to be owned by the Company and its subsidiaries and will continue to be reflected as assets on the Company's Condensed Consolidated Balance Sheets and represent collateral up to the amount of the borrowings under this facility. Borrowings under this facility will be classified as long-term debt within the Condensed Consolidated Balance Sheets.

Fair Value of Financial Instruments

Financial instruments, although not recorded at fair value on a recurring basis, include cash and cash equivalents, accounts receivable, accounts payable, and the Company's debt obligations. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value using Level 1 inputs because of the short-term maturity of those instruments. Borrowings under the 2016 Credit Agreement and the securitized debt are at variable interest rates and accordingly their carrying amounts approximate fair value. The fair value of the following material financial instruments were based on Level 2 inputs estimated using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of debt instruments. The fair values of these material financial instruments are as follows:

(in millions)	Fair Value	
	September 30, 2017	December 31, 2016
2023 Senior Notes	\$ 473.9	\$ 468.5
2026 Senior Notes	615.9	606.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(5) Stockholders' Equity

(a) *Common Stock.* Tempur Sealy International has 300.0 million authorized shares of common stock with \$0.01 per share par value and 0.01 million authorized shares of preferred stock with \$0.01 per share par value. The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of the common stock are entitled to receive ratably such dividends as may be declared from time to time by the Board of Directors ("Board") out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up, the holders of the common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

The Board is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as determined by the Board, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

(b) *Treasury Stock.* In February 2017, the Board authorized an increase of \$200.0 million to its existing share repurchase authorization for repurchases of Tempur Sealy International's common stock. For the nine months ended September 30, 2017, the Company repurchased 0.6 million shares for approximately \$40.1 million. As of September 30, 2017, the Company had approximately \$226.9 million remaining under the existing share repurchase authorization.

In addition, the Company acquired 0.1 million shares upon the vesting of certain performance restricted stock units ("PRSUs"), which were withheld to satisfy tax withholding obligations during each of the nine months ended September 30, 2017 and 2016. The shares withheld were valued at the closing price of the common stock on the New York Stock Exchange on the vesting date or first business day thereafter, resulting in approximately \$4.8 million and \$2.0 million in treasury stock acquired during the nine months ended September 30, 2017 and 2016, respectively.

(c) *Shareholder Rights Agreement.* On February 8, 2017, the Board authorized and declared a dividend distribution of one right (a "Right") for each outstanding share of common stock, par value \$0.01 per share (the "Common Shares"), of the Company to stockholders of record at the close of business on February 20, 2017 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share (the "Preferred Shares"), of the Company at an exercise price of \$90 per one one-thousandth of a Preferred Share, subject to adjustment (the "Exercise Price"). Generally, the Rights become exercisable in the event any person or group (including a group of persons that are acting in concert with each other) acquires 20% or more of the Common Shares without the approval of the Board, and until such time are inseparable from and trade with the Company's common stock. The Rights have a de minimis fair value. The Rights were issued pursuant to the Rights Agreement dated as of February 8, 2017 (the "Original Rights Agreement"), between the Company and American Stock Transfer & Trust Company, LLC ("AST"), the Company's rights agent. These Rights expire February 7, 2018 or upon an earlier redemption or exchange as provided in the Rights Agreement.

On March 14, 2017, the Company entered into an Amended and Restated Rights Agreement (the "Amended Rights Agreement") with AST, as rights agent, to amend certain provisions of the Original Rights Agreement. The primary purpose of the amendment and restatement of the Original Rights Agreement is to provide the holders of the Common Shares and the attached Rights issued under the Original Rights Agreement with the ability to exempt an offer to acquire, or engage in another business combination transaction involving, the Company that is deemed a "Qualifying Offer" (as defined in the Amended and Restated Rights Agreement) from the terms of the Amended and Restated Rights Agreement. The Rights have a de minimis fair value as of September 30, 2017.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(d) AOCL. AOCL consisted of the following:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Foreign Currency Translation				
Balance at beginning of period	\$ (101.8)	\$ (98.6)	\$ (119.9)	\$ (115.4)
Other comprehensive income (loss):				
Foreign currency translation adjustments ⁽¹⁾	9.6	(5.0)	27.7	11.8
Balance at end of period	<u>\$ (92.2)</u>	<u>\$ (103.6)</u>	<u>\$ (92.2)</u>	<u>\$ (103.6)</u>
Pensions				
Balance at beginning of period	\$ (2.2)	\$ (1.4)	\$ (2.2)	\$ (1.4)
Other comprehensive loss:				
Net change from period revaluations, net of tax	—	—	—	—
Balance at end of period	<u>\$ (2.2)</u>	<u>\$ (1.4)</u>	<u>\$ (2.2)</u>	<u>\$ (1.4)</u>
Foreign Exchange Forward Contracts				
Balance at beginning of period	\$ —	\$ 0.7	\$ 0.6	\$ 6.6
Other comprehensive (loss) income:				
Net change from period revaluations	(0.2)	0.8	(0.6)	(4.5)
Tax (provision) benefit ⁽²⁾	—	(0.2)	0.1	1.2
Total other comprehensive (loss) income before reclassifications, net of tax	<u>\$ (0.2)</u>	<u>\$ 0.6</u>	<u>\$ (0.5)</u>	<u>\$ (3.3)</u>
Net amount reclassified to earnings ⁽³⁾	0.3	(1.1)	(0.1)	(3.8)
Tax (provision) benefit ⁽²⁾	(0.1)	0.3	—	1.0
Total amount reclassified from AOCL, net of tax	<u>\$ 0.2</u>	<u>\$ (0.8)</u>	<u>\$ (0.1)</u>	<u>\$ (2.8)</u>
Total other comprehensive loss	<u>—</u>	<u>(0.2)</u>	<u>(0.6)</u>	<u>(6.1)</u>
Balance at end of period	<u>\$ —</u>	<u>\$ 0.5</u>	<u>\$ —</u>	<u>\$ 0.5</u>

(1) In 2017 and 2016, there were no tax impacts related to foreign currency translation adjustments and no amounts were reclassified to earnings.

(2) These amounts were included in the income tax provision in the accompanying Condensed Consolidated Statements of Income.

(3) This amount was included in cost of sales in the accompanying Condensed Consolidated Statements of Income.

(6) Other Items

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in millions)	September 30, 2017	December 31, 2016
Wages and benefits	\$ 55.5	\$ 65.5
Advertising	44.6	48.6
Sales returns	32.9	30.3
Warranty	19.9	14.3
Rebates	10.8	8.4
Other	109.5	83.0
	<u>\$ 273.2</u>	<u>\$ 250.1</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(7) Stock-Based Compensation

The Company's stock-based compensation expense for the three and nine months ended September 30, 2017 and 2016 included PRSUs, non-qualified stock options, restricted stock units ("RSUs") and deferred stock units ("DSUs"). A summary of the Company's stock-based compensation expense is presented in the following table.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
PRSU expense (benefit)	\$ 1.0	\$ 1.8	\$ (7.1)	\$ 6.0
Option expense	1.8	1.2	5.6	4.0
RSU/DSU expense	3.1	1.7	10.0	5.3
Total stock-based compensation expense	\$ 5.9	\$ 4.7	\$ 8.5	\$ 15.3

During the nine months ended September 30, 2017, the Company recorded a \$9.3 million benefit in the Condensed Consolidated Statements of Income related to a change in estimate associated with performance-based stock compensation that is no longer probable of payout as a result of the termination of the Mattress Firm relationship.

The Company did not record any accelerated stock-based compensation expense during each of the three months ended September 30, 2017 and 2016. During the nine months ended September 30, 2017 and 2016, the Company recorded \$0.9 million and \$2.0 million of accelerated stock-based compensation expense associated with executive management transition, respectively.

The Company has 1.2 million PRSUs outstanding that will vest if the Company achieves more than \$650.0 million of adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") for 2017 (the "2017 Aspirational Plan PRSUs"). All of the 2017 Aspirational Plan PRSUs will vest in full if the Company achieves Adjusted EBITDA in 2017 greater than \$650.0 million. In addition, if this target is not met in 2017 but the Company achieves more than \$650.0 million in Adjusted EBITDA for 2018, then one-third of the total 2017 Aspirational Plan PRSUs will vest, and the remaining 2017 Aspirational Plan PRSUs will be forfeited. If the Company does not achieve more than \$650.0 million of Adjusted EBITDA in either 2017 or 2018, then all of the 2017 Aspirational Plan PRSUs will be forfeited. Adjusted EBITDA is defined as the Company's "Consolidated EBITDA" as such term is defined in the Company's 2012 Credit Agreement.

The Company did not record any stock-based compensation expense related to the 2017 Aspirational Plan PRSUs during the three and nine months ended September 30, 2017 and 2016, as it is not considered probable that the Company will achieve the specified performance target as of December 31, 2017 or December 31, 2018. The Company will continue to evaluate the probability of achieving the performance condition in future periods and record the appropriate expense if necessary. Based on the price of the Company's common stock on the grant date, the total unrecognized compensation expense related to this award if the performance target is met for 2017 is \$83.9 million, which would be expensed over the remaining service period if achievement of the performance condition becomes probable.

During the three months ended September 30, 2017, the Company granted executive officers and certain members of management 1.5 million PRSUs if the Company achieves a certain level of Adjusted EBITDA during four consecutive fiscal quarters as described below (the "2019 Aspirational Plan PRSUs"). The 2019 Aspirational Plan PRSUs will vest based on the highest Adjusted EBITDA in any four consecutive fiscal quarter period ending between (and including) March 31, 2018 and December 31, 2019 (the "First Designated Period"). If the highest Adjusted EBITDA in the First Designated Period is \$600.0 million, 66% will vest; if the highest Adjusted EBITDA equals or exceeds \$650.0 million, then 100% will vest; if the highest Adjusted EBITDA is between \$600.0 million and \$650.0 million then a pro rata portion will vest; and if the highest Adjusted EBITDA is less than \$600.0 million then one-half of the 2019 Aspirational Plan PRSUs will no longer be available for vesting based on performance and the remaining one-half will remain available for vesting based on the highest Adjusted EBITDA in any four consecutive fiscal quarter period ending between (and including) March 31, 2020 and December 31, 2020 (the "Second Designated Period"). If the highest Adjusted EBITDA in the Second Designated Period is \$600.0 million then 66% of the remaining 2019 Aspirational Plan PRSUs will vest; if the Adjusted EBITDA is \$650.0 million or more 100% will vest; if Adjusted EBITDA is between \$600.0 million and \$650.0 million then a pro rata portion will vest; and if Adjusted EBITDA is below \$600.0 million then all of the remaining 2019 Aspirational Plan PRSUs will be forfeited. Adjusted EBITDA units is defined as the Company's "Consolidated EBITDA" as such term is defined in the Company's 2016 Credit Agreement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The Company did not record any stock-based compensation expense related to the 2019 Aspirational Plan PRSUs during the three months ended September 30, 2017, as it is not considered probable that the Company will achieve the specified performance target for either the First Designated Period or Second Designated Period. The Company will continue to evaluate the probability of achieving the performance condition in future periods and record the appropriate expense if necessary. Based on the price of the Company's common stock on the grant date, the total unrecognized compensation expense related to this award if the performance target is met for the First Designated Period is \$90.0 million, which would be expensed over the remaining service period if achievement of the performance condition becomes probable.

(8) Commitments and Contingencies

(a) *Alvin Todd, and Henry and Mary Thompson, individually and on behalf of all others similarly situated, Plaintiffs v. Tempur Sealy International, Inc., formerly known as Tempur-Pedic International, Inc. and Tempur-Pedic North America, LLC, Defendants; filed October 25, 2013.*

On October 25, 2013, a suit was filed against Tempur Sealy International and one of its domestic subsidiaries in the United States District Court for the Northern District of California, purportedly on behalf of a proposed class of "consumers" as defined by Cal. Civ. Code § 1761(d) who purchased, not for resale, a Tempur-Pedic mattress or pillow in the State of California. On November 19, 2013, the Company was served for the first time in the case but with an amended petition adding additional class representatives for additional states. The purported classes seek certification of claims under applicable state laws.

The complaint alleged that the Company engaged in unfair business practices, false advertising, and misrepresentations or omissions related to the sale of certain products. The Plaintiffs sought restitution, injunctive relief and all other relief allowed under applicable state laws, interest, attorneys' fees and costs. The purported classes did not seek damages for physical injuries. The Court was scheduled to consider class certification motions in the fourth quarter of 2015; however, the Plaintiffs filed a Motion to Amend the Complaint, at which time the Company filed a Motion to Dismiss the Amended Complaint. A hearing on the Motion to Dismiss was held January 28, 2016 and the Court denied in part and granted in part the Company's Motion to Dismiss, allowing certain claims to proceed. The Court considered class certification motions on August 18, 2016, and on September 30, 2016, denied the Plaintiffs' Motion for Class Certification. In December 2016, the Ninth Circuit Court of Appeals affirmed the lower court's decision. The Company filed a Motion to Sever the Claims made by each of the Plaintiffs on March 22, 2017 following the denial of class certification by the District Court which was affirmed by the Ninth Circuit Court of Appeals. The Plaintiffs then filed a Motion for Reconsideration at the District Court with respect to the denial of class certification on April 12, 2017 based on a change in the law. That Motion was denied on June 30, 2017. The Court also granted the Company's Motion to Sever the claims on June 30, 2017, dissolving the potential class and requiring the Plaintiffs to file individual cases in their home states if they wished to proceed. In September 2017, the Company entered into settlement agreements with each of the Plaintiffs and their cases were then dismissed by the District Court. The settlement amounts were not material in nature.

(b) *David Buehring, Individually and on Behalf of All Others Similarly Situated v. Tempur Sealy International, Inc., Scott L. Thompson, and Barry A. Hytinen, filed March 24, 2017.*

On March 24, 2017, a suit was filed against Tempur Sealy International, Inc., and two of its officers in the U.S. District Court for the Southern District of New York, purportedly on behalf of a proposed class of stockholders who purchased Tempur Sealy common stock between July 28, 2016 and January 27, 2017. The complaint alleges that the Company made materially false and misleading statements regarding its then existing and future financial prospects, including those with one of its retailers, Mattress Firm, allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The Company does not believe the claims have merit and intends to vigorously defend against these claims. A Motion to Dismiss the case was filed by the Company on October 5, 2017. The case is in the early stages of litigation. As a result, the outcome of the case is unclear and the Company is unable to reasonably estimate the possible loss or range of loss, if any. Accordingly, the Company can give no assurance that this matter will not have a material adverse effect on the Company's financial position or results of operations.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(c) *Myla Gardner v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc.*, filed July 10, 2017; *Joseph L. Doherty v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc.*, filed July 20, 2017; and *Paul Onesti v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc.*, filed July 21, 2017.

During July 2017, three putative shareholder derivative suits were filed against the Company, each member of its Board of Directors and two of its officers. Each complaint alleges that the Board of Directors and officers caused the Company to make materially false and misleading statements regarding its business and financial prospects, including those with one of its retailers, Mattress Firm, which was a violation of the fiduciary duties they owed to the Company. The Company does not believe any of the suits have merit and intends to vigorously defend against the claims in each case. The Plaintiffs in each of the cases have agreed to stay their respective actions until after a decision is rendered on the Motion to Dismiss in the Buehring action noted above. These cases are in the early stages of litigation. As a result, the outcome of each case is unclear and the Company is unable to reasonably estimate the possible loss or range of loss, if any.

(d) *Mattress Firm, Inc. v. Tempur-Pedic North America, LLC and Sealy Mattress Company*, filed March 30, 2017.

On March 30, 2017, a suit was filed against Tempur-Pedic and Sealy Mattress (two wholly-owned subsidiaries of the Company) in the District Court of Harris County, Texas by Mattress Firm. The complaint alleges breach of contract, tortious interference and seeks a declaratory judgment with respect to the interpretation of its agreements with the Company. On April 7, 2017, the Company's subsidiaries named above filed suit against Mattress Firm, Inc. in the U.S. District Court for the Southern District of Texas, Houston Division seeking injunctive relief and damages for trademark infringement, unfair competition and trademark dilution in violation of the Lanham Act, and breach of contract and other state law violations. The complaint alleges that Mattress Firm violated the parties' transition agreements dated January 30, 2017, and consequently, federal and state law, by its use of the Company's trademarks after April 3, 2017. On April 28, 2017, the complaint was amended to add a claim by Sealy Mattress for nonpayment by Mattress Firm for products sold and delivered. On May 23, 2017, the complaint was further amended to add allegations that Mattress Firm continued to use the Company's trade names and trademarks on its website and in advertising in an inappropriate manner. On July 11, 2017, the Court issued a preliminary injunction prohibiting Mattress Firm from using the Company's names and marks in such manner. The Company does not believe the claims asserted by Mattress Firm have merit and intends to vigorously defend against them. Discovery is proceeding in the case. The cases are in the early stages of litigation. As a result, the outcome remains unclear and the Company is unable to reasonably estimate the possible loss or range of loss, if any. Accordingly, the Company can give no assurance that these matters will not have a material adverse effect on the Company's financial position or results of operations.

(e) *Other*. The Company is involved in various other legal and administrative proceedings incidental to the operations of its business. The Company believes that the outcome of all such other pending proceedings in the aggregate will not have a material adverse effect on its business, financial condition, liquidity, or operating results.

(9) Income Taxes

The Company's effective tax rate for the three months ended September 30, 2017 and 2016 was 33.0% and 30.6%, respectively. The Company's effective tax rate for the nine months ended September 30, 2017 and 2016 was 33.6% and 30.7%, respectively. The Company's income tax rate for the three and nine months ended September 30, 2017 and 2016 differed from the U.S. federal statutory rate of 35.0% principally due to certain foreign income tax rate differentials, state and local income taxes, the production activities deduction, certain other permanent differences, changes in the Company's uncertain tax positions, and for the three and nine months ended September 30, 2017, the excess tax deficiency (or benefit) related to stock-based compensation.

The Company has received income tax assessments from the Danish Tax Authority ("SKAT") with respect to the tax years 2001 through 2008 relating to the royalty paid by a U.S. subsidiary of Tempur Sealy International to a Danish subsidiary (the "Danish Assessments"). The royalty is paid by the U.S. subsidiary for the right to utilize certain intangible assets owned by the Danish subsidiary in the U.S. production process. In its assessment, SKAT asserts that the amount of royalty rate paid by the U.S. subsidiary to the Danish subsidiary is not reflective of an arms-length transaction. Accordingly, the tax assessment received from SKAT is based, in part, on a 20% royalty rate, which is substantially higher than that historically used or deemed appropriate by the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The cumulative total tax assessment at September 30, 2017 for all years for which an assessment has been received (2001 - 2008) is approximately Danish Krone ("DKK") 1,615.6 million, including interest and penalties (\$256.4 million, based on the DKK to USD exchange rate on September 30, 2017). The cumulative total tax assessment at December 31, 2016 for all years for which an assessment had been received up through that date (2001 - 2008) including interest and penalties was approximately DKK 1,547.3 million (\$219.3 million, based on the DKK to USD exchange rate on December 31, 2016). If SKAT continues to issue assessments for each year not currently assessed, the Company expects the aggregate assessments for such years (2009 - 2016) to be in excess of the amounts described above as assessed for the years 2001 - 2008 (collectively the years 2001 through 2016 are referred to as the "Danish Tax Matter").

At September 30, 2017 and December 31, 2016 the Company had accrued Danish tax and interest for the Danish Tax Matter of approximately DKK 852 million (approximately \$135.2 million using the September 30, 2017 exchange rate) and DKK 850 million (approximately \$120.6 million using the December 31, 2016 exchange rate), respectively, as an uncertain income tax liability. On both September 30, 2017 and December 31, 2016 approximately DKK 835 million (approximately \$132.6 million using the September 30, 2017 exchange rate and \$118.5 million using the December 31, 2016 exchange rate) represents the amount that the Company and SKAT preliminarily agreed to in a non-binding proposed resolution for the years 2001 through 2011. The balance at September 30, 2017 and December 31, 2016, respectively, of approximately DKK 17 million (approximately \$2.6 million using the September 30, 2017 exchange rate) and DKK 15 million (approximately \$2.1 million using the December 31, 2016 exchange rate) may be subject to further negotiation in the future as part of an Advanced Pricing Agreement the Company may choose to pursue for years after 2011. The uncertain income tax liability accrued is included in other non-current liabilities in the Company's Condensed Consolidated Balance Sheets. In addition, at September 30, 2017 and December 31, 2016 the Company had recorded a deferred tax asset of approximately \$44.3 million and \$43.5 million, respectively, for the U.S. correlative benefit related to the Danish Tax Matter. The Company has recorded a valuation allowance with respect to this benefit of approximately \$17.6 million for both periods related to years for which relief may not be realized.

The Company's uncertain tax liability associated with the Danish Tax Matter is derived using the cumulative probability analysis with possible outcomes based on the Company's updated evaluation of the facts and circumstances regarding this matter and applying the technical requirements applicable to U.S., Danish, and international transfer pricing standards as required by GAAP, taking into account both the U.S. and Danish income tax implications of such outcomes. Both the uncertain tax liability and the deferred tax asset discussed herein reflects the Company's best judgment of the facts, circumstances and information available through September 30, 2017.

If the Company is not successful in defending its position before the Danish National Tax Tribunal (the "Tribunal"), the appeals division within SKAT, or in the Danish courts or in negotiating a mutually acceptable settlement, there is significant risk that the Company could be required to pay significant amounts to SKAT in excess of any related reserve. Such an outcome could have a material adverse impact on the Company's profitability and liquidity. In addition, prior to any ultimate resolution of this issue before the Tribunal or the Danish courts, based on a change in facts and circumstances, the Company may be required to further increase its uncertain tax liability associated with this matter, which could have a material impact on the Company's reported earnings.

From June 2012 through September 30, 2017, SKAT withheld Value Added Tax refunds otherwise owed to the Company, pending resolution of the Danish Tax Matter. Total withheld refunds at September 30, 2017 and December 31, 2016 are approximately DKK 314.6 million (approximately \$49.9 at the September 30, 2017 exchange rate) and DKK 258.0 million (approximately \$36.6 million at the December 31, 2016 exchange rate), respectively. In July 2016, the Company paid a deposit to SKAT in the amount of approximately DKK 615.2 (approximately \$97.6 million using the exchange rate at September 30, 2017) (the "Tax Deposit") and applied approximately DKK 224.6 million (approximately \$35.6 million using the exchange rate at September 30, 2017) of its Value Added Tax refund (the "VAT Refund Applied") to the aforementioned potential Danish income tax liability, consistent with the Company's reserve position for the Danish Tax Matter. The deposit was made to mitigate additional interest and foreign exchange exposure. The Tax Deposit and the VAT Refund Applied are included within other non-current assets on the Condensed Consolidated Balance Sheets.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The amount of unrecognized tax benefits that would impact the effective tax rate if recognized at September 30, 2017 and December 31, 2016 would be \$30.1 and \$21.4 million (exclusive of interest and penalties), respectively. Interest and penalties related to unrecognized tax benefits are recorded in income tax provision. It is reasonably possible that there could be material changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues, reassessment of existing uncertain tax positions, including the Danish Tax Matter, or the expiration of applicable statute of limitations; however, the Company is not able to estimate the impact of these items at this time. There were no significant changes to the liability for unrecognized tax benefits during the three months ended September 30, 2017.

(10) Earnings Per Common Share

The following table sets forth the components of the numerator and denominator for the computation of basic and diluted earnings per share for net income attributable to Tempur Sealy International.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<i>(in millions, except per common share amounts)</i>				
Numerator:				
Net income attributable to Tempur Sealy International, Inc.	\$ 44.6	\$ 77.8	\$ 103.0	\$ 138.7
Denominator:				
Denominator for basic earnings per common share-weighted average shares	54.0	58.2	54.0	60.1
Effect of dilutive securities:				
Employee stock-based compensation	0.9	0.6	0.6	0.7
Denominator for diluted earnings per common share-adjusted weighted average shares	54.9	58.8	54.6	60.8
Basic earnings per common share	<u>\$ 0.83</u>	<u>\$ 1.34</u>	<u>\$ 1.91</u>	<u>\$ 2.31</u>
Diluted earnings per common share	<u>\$ 0.81</u>	<u>\$ 1.32</u>	<u>\$ 1.89</u>	<u>\$ 2.28</u>

The Company excluded 1.1 million and 0.4 million shares issuable upon exercise of outstanding stock options for the three months ended September 30, 2017 and 2016, respectively, from the diluted earnings per common share computation because their exercise price was greater than the average market price of Tempur Sealy International's common stock or they were otherwise anti-dilutive. The Company excluded 1.3 million and 0.4 million shares issuable upon exercise of outstanding stock options for the nine months ended September 30, 2017 and 2016, respectively, from the diluted earnings per common share computation because their exercise price was greater than the average market price of Tempur Sealy International's common stock or they were otherwise anti-dilutive. Holders of non-vested stock-based compensation awards do not maintain voting rights or maintain rights to receive any dividends thereon.

(11) Business Segment Information

The Company operates in two segments: North America and International. Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. These segments are strategic business units that are managed separately based on geography. The North America segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in the U.S. and Canada. The International segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America. The Company evaluates segment performance based on net sales, gross profit and operating income.

The Company's North America and International segment assets include investments in subsidiaries that are appropriately eliminated in the Company's accompanying Condensed Consolidated Financial Statements. The remaining inter-segment eliminations are comprised of intercompany accounts receivable and payable.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The following table summarizes total assets by segment:

<i>(in millions)</i>	September 30, 2017	December 31, 2016
North America	\$ 2,731.7	\$ 2,581.4
International	613.6	572.6
Corporate	604.2	658.7
Inter-segment eliminations	(1,214.2)	(1,110.1)
Total assets	\$ 2,735.3	\$ 2,702.6

The following table summarizes property, plant and equipment, net by segment:

<i>(in millions)</i>	September 30, 2017	December 31, 2016
North America	\$ 295.8	\$ 297.4
International	54.4	54.9
Corporate	73.9	69.9
Total property, plant and equipment, net	\$ 424.1	\$ 422.2

The following table summarizes segment information for the three months ended September 30, 2017:

<i>(in millions)</i>	North America	International	Corporate	Eliminations	Consolidated
Net sales	\$ 580.6	\$ 144.2	\$ —	\$ —	\$ 724.8
Inter-segment sales	\$ 0.9	\$ 0.4	\$ —	\$ (1.3)	\$ —
Inter-segment royalty expense (income)	1.5	(1.5)	—	—	—
Gross profit	238.4	73.8	—	—	312.2
Operating income (loss)	99.7	20.8	(25.9)	—	94.6
Income (loss) before income taxes	97.0	9.3	(44.8)	—	61.5
Depreciation and amortization ⁽¹⁾	\$ 13.1	\$ 3.8	\$ 10.0	\$ —	\$ 26.9
Capital expenditures	9.3	1.8	6.4	—	17.5

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes segment information for the three months ended September 30, 2016:

<i>(in millions)</i>	North America	International	Corporate	Eliminations	Consolidated
Net sales	\$ 698.5	\$ 133.9	\$ —	\$ —	\$ 832.4
Inter-segment sales	\$ 1.0	\$ 0.2	\$ —	\$ (1.2)	\$ —
Inter-segment royalty expense (income)	1.8	(1.8)	—	—	—
Gross profit	290.1	72.0	—	—	362.1
Operating income (loss)	128.3	25.6	(22.8)	—	131.1
Income (loss) before income taxes	127.1	23.6	(40.4)	—	110.3
Depreciation and amortization ⁽¹⁾	\$ 10.8	\$ 4.0	\$ 8.2	\$ —	\$ 23.0
Capital expenditures	10.7	3.6	3.3	—	17.6

(1) Depreciation and amortization includes stock-based compensation amortization expense.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

The following table summarizes segment information for the nine months ended September 30, 2017:

<i>(in millions)</i>	North America	International	Corporate	Eliminations	Consolidated
Net sales	\$ 1,688.3	\$ 417.9	\$ —	\$ —	\$ 2,106.2
Inter-segment sales	\$ 3.1	\$ 0.7	\$ —	\$ (3.8)	\$ —
Inter-segment royalty expense (income)	4.4	(4.4)	—	—	—
Gross profit	651.8	215.6	—	—	867.4
Operating income (loss)	206.9	73.0	(69.2)	—	210.7
Income (loss) before income taxes	210.7	58.0	(125.8)	—	142.9
Depreciation and amortization ⁽¹⁾	\$ 38.3	\$ 11.1	\$ 19.8	\$ —	\$ 69.2
Capital expenditures	23.0	5.4	15.0	—	43.4

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes segment information for the nine months ended September 30, 2016:

<i>(in millions)</i>	North America	International	Corporate	Eliminations	Consolidated
Net sales	\$ 1,946.7	\$ 411.1	\$ —	\$ —	\$ 2,357.8
Inter-segment sales	\$ 3.5	\$ 0.4	\$ —	\$ (3.9)	\$ —
Inter-segment royalty expense (income)	5.6	(5.6)	—	—	—
Gross profit	771.9	218.1	—	—	990.0
Operating income (loss)	308.9	76.1	(77.0)	—	308.0
Income (loss) before income taxes	304.3	69.0	(177.5)	—	195.8
Depreciation and amortization ⁽¹⁾	\$ 32.1	\$ 11.7	\$ 25.8	\$ —	\$ 69.6
Capital expenditures	22.0	8.3	11.6	—	41.9

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes property, plant and equipment, net by geographic region:

<i>(in millions)</i>	September 30, 2017	December 31, 2016
United States	\$ 362.3	\$ 360.7
Canada	7.4	6.6
Other International	54.4	54.9
Total property, plant and equipment, net	\$ 424.1	\$ 422.2
Total International	\$ 61.8	\$ 61.5

The following table summarizes net sales by geographic region:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
United States	\$ 517.8	\$ 641.4	\$ 1,522.5	\$ 1,792.7
Canada	62.8	57.1	165.8	154.0
Other International	144.2	133.9	417.9	411.1
Total net sales	\$ 724.8	\$ 832.4	\$ 2,106.2	\$ 2,357.8
Total International	\$ 207.0	\$ 191.0	\$ 583.7	\$ 565.1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

(12) Guarantor/Non-Guarantor Financial Information

The \$450.0 million and \$600.0 million aggregate principal amount of 2023 Senior Notes and 2026 Senior Notes (collectively the "Senior Notes"), respectively, are general unsecured senior obligations of Tempur Sealy International and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by all of Tempur Sealy International's 100% directly or indirectly owned current and future domestic subsidiaries (the "Combined Guarantor Subsidiaries"). The foreign subsidiaries (the "Combined Non-Guarantor Subsidiaries") represent the foreign operations of the Company and do not guarantee the Senior Notes. A subsidiary guarantor will be released from its obligations under the applicable indenture governing the Senior Notes when: (a) the subsidiary guarantor is sold or sells all or substantially all of its assets; (b) the subsidiary is declared "unrestricted" under the applicable indenture governing the Senior Notes; (c) the subsidiary's guarantee of indebtedness under the 2016 Credit Agreement (as it may be amended, refinanced or replaced) is released (other than a discharge through repayment); or (d) the requirements for legal or covenant defeasance or discharge of the applicable indenture have been satisfied. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Company's wholly-owned subsidiary guarantors and non-guarantor subsidiaries. The Company has accounted for its investments in its subsidiaries under the equity method.

The following supplemental financial information presents the Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016 for Tempur Sealy International, Combined Guarantor Subsidiaries and Combined Non-Guarantor Subsidiaries.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Income and Comprehensive Income
Three Months Ended September 30, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 520.2	\$ 222.8	\$ (18.2)	\$ 724.8
Cost of sales	—	300.4	130.4	(18.2)	412.6
Gross profit	—	219.8	92.4	—	312.2
Selling and marketing expenses	1.4	101.7	52.3	—	155.4
General, administrative and other expenses	4.9	42.4	23.7	—	71.0
Equity income in earnings of unconsolidated affiliates	—	—	(3.5)	—	(3.5)
Royalty income, net of royalty expense	—	(5.3)	—	—	(5.3)
Operating (loss) income	(6.3)	81.0	19.9	—	94.6
Other expense, net:					
Third party interest expense, net	14.8	6.7	10.5	—	32.0
Intercompany interest (income) expense, net	(1.1)	2.8	(1.7)	—	—
Interest expense, net	13.7	9.5	8.8	—	32.0
Other (income) expense, net	—	(4.5)	5.6	—	1.1
Total other expense, net	13.7	5.0	14.4	—	33.1
Income from equity investees	53.8	1.7	—	(55.5)	—
Income before income taxes	33.8	77.7	5.5	(55.5)	61.5
Income tax benefit (provision)	7.4	(23.9)	(3.8)	—	(20.3)
Net income before non-controlling interests	41.2	53.8	1.7	(55.5)	41.2
Less: Net loss attributable to non-controlling interests	(3.4)	—	(3.4)	3.4	(3.4)
Net income attributable to Tempur Sealy International, Inc.	<u>\$ 44.6</u>	<u>\$ 53.8</u>	<u>\$ 5.1</u>	<u>\$ (58.9)</u>	<u>\$ 44.6</u>
Comprehensive income attributable to Tempur Sealy International, Inc.	<u>\$ 54.2</u>	<u>\$ 54.0</u>	<u>\$ 14.6</u>	<u>\$ (68.6)</u>	<u>\$ 54.2</u>

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Income and Comprehensive Income
Three Months Ended September 30, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 656.0	\$ 191.5	\$ (15.1)	\$ 832.4
Cost of sales	—	381.1	104.3	(15.1)	470.3
Gross profit	—	274.9	87.2	—	362.1
Selling and marketing expenses	1.0	129.6	44.6	—	175.2
General, administrative and other expenses	4.0	44.5	15.5	—	64.0
Equity income in earnings of unconsolidated affiliates	—	—	(2.4)	—	(2.4)
Royalty income, net of royalty expense	—	(5.6)	(0.2)	—	(5.8)
Operating (loss) income	(5.0)	106.4	29.7	—	131.1
Other expense, net:					
Third party interest expense, net	15.0	4.7	0.8	—	20.5
Intercompany interest (income) expense, net	(1.0)	—	1.0	—	—
Interest expense, net	14.0	4.7	1.8	—	20.5
Other expense, net	—	—	0.3	—	0.3
Total other expense, net	14.0	4.7	2.1	—	20.8
Income from equity investees	89.0	21.1	—	(110.1)	—
Income before income taxes	70.0	122.8	27.6	(110.1)	110.3
Income tax benefit (provision)	6.6	(33.8)	(6.5)	—	(33.7)
Net income before non-controlling interests	76.6	89.0	21.1	(110.1)	76.6
Less: Net loss attributable to non-controlling interests	(1.2)	(1.2)	—	1.2	(1.2)
Net income attributable to Tempur Sealy International, Inc.	<u>\$ 77.8</u>	<u>\$ 90.2</u>	<u>\$ 21.1</u>	<u>\$ (111.3)</u>	<u>\$ 77.8</u>
Comprehensive income attributable to Tempur Sealy International, Inc.	<u>\$ 72.6</u>	<u>\$ 90.5</u>	<u>\$ 15.8</u>	<u>\$ (106.3)</u>	<u>\$ 72.6</u>

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Income and Comprehensive Income
Nine Months Ended September 30, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,522.4	\$ 641.2	\$ (57.4)	\$ 2,106.2
Cost of sales	—	920.9	375.3	(57.4)	1,238.8
Gross profit	—	601.5	265.9	—	867.4
Selling and marketing expenses	4.2	308.9	148.3	—	461.4
General, administrative and other expenses	13.8	132.2	60.5	—	206.5
Customer termination charges, net	(8.4)	21.8	1.0	—	14.4
Equity income in earnings of unconsolidated affiliates	—	—	(10.6)	—	(10.6)
Royalty income, net of royalty expense	—	(15.0)	—	—	(15.0)
Operating (loss) income	(9.6)	153.6	66.7	—	210.7
Other expense, net:					
Third party interest expense, net	44.7	19.4	12.1	—	76.2
Intercompany interest (income) expense, net	(3.6)	5.6	(2.0)	—	—
Interest expense, net	41.1	25.0	10.1	—	76.2
Other (income) expense, net	—	(13.6)	5.2	—	(8.4)
Total other expense, net	41.1	11.4	15.3	—	67.8
Income from equity investees					
	129.1	33.6	—	(162.7)	—
Income before income taxes					
	78.4	175.8	51.4	(162.7)	142.9
Income tax benefit (provision)	16.5	(46.7)	(17.8)	—	(48.0)
Net income before non-controlling interests	94.9	129.1	33.6	(162.7)	94.9
Less: Net loss attributable to non-controlling interests	(8.1)	—	(8.1)	8.1	(8.1)
Net income attributable to Tempur Sealy International, Inc.	\$ 103.0	\$ 129.1	\$ 41.7	\$ (170.8)	\$ 103.0
Comprehensive income attributable to Tempur Sealy International, Inc.					
	\$ 130.1	\$ 124.6	\$ 73.4	\$ (198.0)	\$ 130.1

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Income and Comprehensive Income
Nine Months Ended September 30, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,835.0	\$ 566.4	\$ (43.6)	\$ 2,357.8
Cost of sales	—	1,106.3	305.1	(43.6)	1,367.8
Gross profit	—	728.7	261.3	—	990.0
Selling and marketing expenses	3.7	358.0	136.4	—	498.1
General, administrative and other expenses	12.8	146.3	48.5	—	207.6
Equity income in earnings of unconsolidated affiliates	—	—	(8.6)	—	(8.6)
Royalty income, net of royalty expense	—	(15.1)	—	—	(15.1)
Operating (loss) income	(16.5)	239.5	85.0	—	308.0
Other expense, net:					
Third party interest expense, net	51.1	11.7	2.2	—	65.0
Intercompany interest (income) expense, net	(3.1)	(0.1)	3.2	—	—
Interest expense, net	48.0	11.6	5.4	—	65.0
Loss on extinguishment of debt	34.3	12.9	—	—	47.2
Other (income) expense, net	—	(1.4)	1.4	—	—
Total other expense, net	82.3	23.1	6.8	—	112.2
Income from equity investees	200.8	62.3	—	(263.1)	—
Income before income taxes	102.0	278.7	78.2	(263.1)	195.8
Income tax benefit (provision)	33.6	(77.9)	(15.9)	—	(60.2)
Net income before non-controlling interests	135.6	200.8	62.3	(263.1)	135.6
Less: Net loss attributable to non-controlling interests	(3.1)	(3.1)	—	3.1	(3.1)
Net income attributable to Tempur Sealy International, Inc.	\$ 138.7	\$ 203.9	\$ 62.3	\$ (266.2)	\$ 138.7
Comprehensive income attributable to Tempur Sealy International, Inc.	\$ 144.4	\$ 204.9	\$ 67.2	\$ (272.1)	\$ 144.4

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Balance Sheets
September 30, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 0.7	\$ 8.0	\$ 33.1	\$ —	\$ 41.8
Accounts receivable, net	—	12.6	351.0	—	363.6
Inventories	—	101.8	87.0	—	188.8
Income taxes receivable	254.1	—	—	(254.1)	—
Prepaid expenses and other current assets	0.2	48.0	14.9	—	63.1
Total Current Assets	255.0	170.4	486.0	(254.1)	657.3
Property, plant and equipment, net	—	348.5	75.6	—	424.1
Goodwill	—	500.2	232.7	—	732.9
Other intangible assets, net	—	580.4	91.5	—	671.9
Deferred income taxes	17.2	—	27.3	(17.2)	27.3
Other non-current assets	—	50.1	171.7	—	221.8
Net investment in subsidiaries	2,380.8	174.2	—	(2,555.0)	—
Due from affiliates	107.0	1,994.1	15.7	(2,116.8)	—
Total Assets	<u>\$ 2,760.0</u>	<u>\$ 3,817.9</u>	<u>\$ 1,100.5</u>	<u>\$ (4,943.1)</u>	<u>\$ 2,735.3</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	\$ —	\$ 169.1	\$ 75.6	\$ —	\$ 244.7
Accrued expenses and other current liabilities	21.4	166.6	85.2	—	273.2
Income taxes payable	—	267.0	13.5	(254.1)	26.4
Current portion of long-term debt	—	35.5	30.8	—	66.3
Total Current Liabilities	21.4	638.2	205.1	(254.1)	610.6
Long-term debt, net	1,041.4	598.2	47.1	—	1,686.7
Deferred income taxes	—	159.7	17.9	(17.2)	160.4
Other non-current liabilities	—	41.0	149.0	—	190.0
Due to affiliates	1,609.6	—	507.2	(2,116.8)	—
Total Liabilities	2,672.4	1,437.1	926.3	(2,388.1)	2,647.7
Redeemable non-controlling interest	3.4	—	3.4	(3.4)	3.4
Total Stockholders' Equity	84.2	2,380.8	170.8	(2,551.6)	84.2
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	<u>\$ 2,760.0</u>	<u>\$ 3,817.9</u>	<u>\$ 1,100.5</u>	<u>\$ (4,943.1)</u>	<u>\$ 2,735.3</u>

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Balance Sheets
December 31, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ —	\$ 7.9	\$ 57.8	\$ —	\$ 65.7
Accounts receivable, net	—	197.7	147.4	—	345.1
Inventories	—	117.1	79.7	—	196.8
Income taxes receivable	234.2	—	—	(234.2)	—
Prepaid expenses and other current assets	—	48.9	15.0	—	63.9
Total Current Assets	234.2	371.6	299.9	(234.2)	671.5
Property, plant and equipment, net	—	346.9	75.3	—	422.2
Goodwill	—	500.2	222.3	—	722.5
Other intangible assets, net	—	589.8	88.9	—	678.7
Deferred income taxes	20.6	—	22.5	(20.6)	22.5
Other non-current assets	—	41.7	143.5	—	185.2
Net investment in subsidiaries	2,207.4	77.7	—	(2,285.1)	—
Due from affiliates	168.4	1,874.7	14.3	(2,057.4)	—
Total Assets	<u>\$ 2,630.6</u>	<u>\$ 3,802.6</u>	<u>\$ 866.7</u>	<u>\$ (4,597.3)</u>	<u>\$ 2,702.6</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY					
Current Liabilities:					
Accounts payable	\$ 0.1	\$ 157.0	\$ 62.2	\$ —	\$ 219.3
Accrued expenses and other current liabilities	6.8	172.6	70.7	—	250.1
Income taxes payable	—	235.9	4.1	(234.2)	5.8
Current portion of long-term debt	—	34.4	35.9	—	70.3
Total Current Liabilities	6.9	599.9	172.9	(234.2)	545.5
Long-term debt, net	1,040.4	776.5	0.9	—	1,817.8
Deferred income taxes	—	174.9	20.3	(20.6)	174.6
Other non-current liabilities	—	43.3	126.0	—	169.3
Due to affiliates	1,587.9	0.6	468.9	(2,057.4)	—
Total Liabilities	2,635.2	1,595.2	789.0	(2,312.2)	2,707.2
Redeemable non-controlling interest	7.6	—	7.6	(7.6)	7.6
Total Stockholders' (Deficit) Equity	(12.2)	2,207.4	70.1	(2,277.5)	(12.2)
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	<u>\$ 2,630.6</u>	<u>\$ 3,802.6</u>	<u>\$ 866.7</u>	<u>\$ (4,597.3)</u>	<u>\$ 2,702.6</u>

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (27.0)	\$ 352.8	\$ (123.3)	\$ —	\$ 202.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	—	(35.9)	(7.5)	—	(43.4)
Contributions (paid to) received from subsidiaries and affiliates	—	(159.5)	159.5	—	—
Other	—	0.9	4.0	—	4.9
Net cash (used in) provided by investing activities	—	(194.5)	156.0	—	(38.5)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under long-term debt obligations	—	523.8	462.1	—	985.9
Repayments of borrowings under long-term debt obligations	—	(703.2)	(421.5)	—	(1,124.7)
Net activity in investment in and advances from (to) subsidiaries and affiliates	66.1	21.4	(87.5)	—	—
Proceeds from exercise of stock options	6.5	—	—	—	6.5
Treasury stock repurchased	(44.9)	—	—	—	(44.9)
Payments of deferred financing costs	—	—	(0.5)	—	(0.5)
Other	—	(0.2)	(2.7)	—	(2.9)
Net cash provided by (used in) financing activities	27.7	(158.2)	(50.1)	—	(180.6)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	—	—	(7.3)	—	(7.3)
Increase (decrease) in cash and cash equivalents	0.7	0.1	(24.7)	—	(23.9)
CASH AND CASH EQUIVALENTS, beginning of period	—	7.9	57.8	—	65.7
CASH AND CASH EQUIVALENTS, end of period	\$ 0.7	\$ 8.0	\$ 33.1	\$ —	\$ 41.8

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)

Supplemental Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (30.4)	\$ 38.2	\$ 102.0	\$ —	\$ 109.8
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	—	(33.2)	(8.7)	—	(41.9)
Contributions (paid to) received from subsidiaries and affiliates	—	(76.8)	76.8	—	—
Net cash (used in) provided by investing activities	—	(110.0)	68.1	—	(41.9)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under long-term debt obligations	600.0	1,214.6	56.9	—	1,871.5
Repayments of borrowings under long-term debt obligations	(375.0)	(1,246.6)	(37.7)	—	(1,659.3)
Net activity in investment in and advances from (to) subsidiaries and affiliates	136.5	22.6	(159.1)	—	—
Proceeds from exercise of stock options	15.2	—	—	—	15.2
Excess tax benefit from stock-based compensation	6.0	—	—	—	6.0
Treasury stock repurchased	(319.7)	—	—	—	(319.7)
Payments of deferred financing costs	(3.0)	(3.6)	—	—	(6.6)
Fees paid to lenders	(6.0)	(1.8)	—	—	(7.8)
Call premium on 2020 Senior Notes	(23.6)	—	—	—	(23.6)
Other	—	(1.6)	1.7	—	0.1
Net cash provided by (used in) financing activities	30.4	(16.4)	(138.2)	—	(124.2)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
(Decrease) increase in cash and cash equivalents	—	(88.2)	23.3	—	(64.9)
CASH AND CASH EQUIVALENTS, beginning of period	—	119.7	34.2	—	153.9
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ 31.5	\$ 57.5	\$ —	\$ 89.0

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016, including "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in ITEM 7 of Part II of the Annual Report, and accompanying Condensed Consolidated Financial Statements and accompanying notes included in this Form 10-Q. Unless otherwise noted, all of the financial information in this Report is consolidated financial information for the Company. The forward-looking statements in this discussion regarding the mattress and pillow industries, our expectations regarding our strategy, our future performance, liquidity and capital resources and other non-historical statements in this discussion are subject to numerous risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" elsewhere in this quarterly report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016 and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. Our actual results may differ materially from those contained in any forward-looking statements.

In this discussion and analysis, we discuss and explain the consolidated financial condition and results of operations for the three and nine months ended September 30, 2017, including the following topics:

- an overview of our business;
- factors impacting results of operations;
- results of operations including our net sales and costs in the periods presented as well as changes between periods;
- expected sources of liquidity for future operations; and
- our use of certain non-GAAP financial measures.

Business Overview

General

We develop, manufacture and market bedding products, which we sell globally. Our brand portfolio includes many highly recognized brands in the industry, including Tempur®, Tempur-Pedic®, Sealy® featuring Posturepedic® Technology, and Stearns & Foster®. Our comprehensive suite of bedding products offers a variety of products to consumers across a broad range of channels.

Our Channels

In the first quarter of 2017, we updated our primary selling channels to Wholesale and Direct. These channels better align to the margin characteristics of our business and our marketplace. Wholesale includes all third party retailers, including third party distribution, hospitality and healthcare. Direct includes company-owned stores, e-commerce, and call centers. Historically, we reported our net sales in the Retail and Other sales channels. Retail included furniture and bedding retailers, department stores, specialty retailers and warehouse clubs. Other included direct-to-consumer, third party distributors, hospitality and healthcare customers.

Segments

We operate in two segments: North America and International. Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. These segments are strategic business units that are managed separately based on geography. Our North America segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in the U.S. and Canada. Our International segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America. We evaluate segment performance based on net sales, gross profit and operating income.

Factors That Could Impact Results of Operations

The factors outlined below could impact our future results of operations. For more extensive discussion of these and other risk factors that could impact our future results of operations, please refer to "Risk Factors," under ITEM 1A of Part I and "Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Impact Results of Operations" included in ITEM 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2016.

General Business and Economic Conditions

Our business is affected by general business and economic conditions, and these conditions could have an impact on future demand for our products. The global economic environment continues to be challenging, and we expect the uncertainty to continue. We continue to make strategic investments, including: introducing new products; investing in increasing our global brand awareness; expanding our North American margins while maintaining market share; investing in our operating infrastructure to meet the requirements of our business; and taking other actions to further strengthen our business.

Termination of Mattress Firm Relationship

Mattress Firm, Inc. ("Mattress Firm") was a customer within the North America segment and was our largest customer in 2016. Mattress Firm represented 4.5% and 21.8% of our sales for the nine months ended September 30, 2017 and September 30, 2016, respectively. Our net sales to Mattress Firm declined 81.3% in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Excluding net sales to Mattress Firm, our net sales increased 9.0% in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016.

During the week of January 23, 2017, we were unexpectedly notified by the senior management of Mattress Firm and representatives of Steinhoff International Holdings N. V. ("Steinhoff"), its parent company, of Mattress Firm's intent to terminate Mattress Firm's business relationship with us if we did not agree to considerable changes to our relationship with Mattress Firm, including significant economic concessions. We engaged in discussions to facilitate a mutually agreeable supply arrangement with Mattress Firm. However, the parties were unable to reach an agreement, and, on January 27, 2017, Tempur-Pedic North America, LLC ("Tempur-Pedic") and Sealy Mattress Company ("Sealy Mattress") issued formal termination notices for all of their products to Mattress Firm. On January 30, 2017, Tempur-Pedic and Sealy Mattress entered into transition agreements with Mattress Firm in which they agreed, among other things, to continue supplying Mattress Firm until April 3, 2017, at which time the parties' business relationship ended. We expect that the termination of our relationship with Mattress Firm will have a significant negative impact on our financial performance in the short-term, but that this termination is in the long-term interests of our stockholders.

In the second quarter of 2017, the wind down of our relationship with Mattress Firm disrupted the retail mattress market as Mattress Firm closed out its inventory of Tempur and Sealy products. We expect that the loss of Mattress Firm as a customer will cause a decrease in our market share in the United States in 2017 and will cause our net sales in 2017 to decline from our net sales in 2016, and as a result we expect to be less profitable in 2017 as compared to 2016. In order to address this issue and recapture market share and lost sales, we are working with our existing retailers to expand their offerings of our products and expand our distribution with new retailers and other distribution channels. Our ability to improve our net sales performance in 2017 as compared to current expectations will be driven primarily by how quickly we can recapture market share and net sales.

In the first quarter of 2017, we took steps to manage our cost structure as a result of the termination of the business relationship with Mattress Firm. Accordingly, we incurred certain customer termination charges, including non-cash write-offs. We incurred \$25.9 million in net charges associated with the termination of Mattress Firm. Cost of sales included \$11.5 million of charges related to the write-off of customer-unique inventory and increased product obligations. Operating expenses included \$14.4 million of net charges associated with the termination of Mattress Firm, including \$22.8 million of charges related to the write-off of the March 31, 2017 value of Mattress Firm incentives and marketing assets, employee-related expenses and professional fees, which were offset by \$8.4 million of benefit primarily related to the change in estimate associated with performance-based stock compensation that is no longer probable of payout as a result of the termination of the Mattress Firm relationship.

We intend to manage our business and costs going forward with the primary goal of recapturing market share and net sales. Accordingly, our expense reductions in the areas of manufacturing and marketing are not expected to be significant. With respect to our manufacturing, we will expect to experience certain lower operating efficiencies in the short term in order to retain our high-quality manufacturing capabilities, which we expect the market will need over time. We also expect to increase our marketing investment as a percentage of sales consistent with our long-term strategy of building and maintaining our brands to drive sales, and this may have an incremental negative impact on our profitability in the short-term.

With respect to our cash flow and liquidity, we do not expect that the Mattress Firm termination will have an unfavorable impact in 2017 as compared to 2016. With respect to the financial covenants in our debt facilities, we expect to remain in compliance with our financial covenants through the end of 2017 and beyond, notwithstanding the decrease in net sales and other impacts referred to above.

For further discussion of the risks associated with large customers, refer to "Risk Factors," under ITEM 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016 and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That Could Impact Results of Operations" included in ITEM 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2016.

Financial Leverage

As of September 30, 2017, we had \$1,762.9 million of total debt outstanding, and our adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA"), which is not accepted under U.S. generally accepted accounting principles ("GAAP") as a financial measure, was \$474.1 million for the trailing twelve months ended September 30, 2017. Higher financial leverage makes us more vulnerable to general adverse competitive, economic and industry conditions. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowing will be available. As of September 30, 2017, our ratio of consolidated funded debt less qualified cash to Adjusted EBITDA calculated in accordance with our 2016 Credit Agreement was 3.70 times, within the covenant in our debt agreements which limits this ratio to 5.00 times for the trailing twelve months ended September 30, 2017. For more information on this non-GAAP measure and compliance with our 2016 Credit Agreement, please refer to "Non-GAAP Financial Information" below.

Commodities

Future changes in raw material prices could have a significant impact on our gross margin, and we expect commodity inflation of approximately \$10 million in the fourth quarter of 2017. We also expect commodity inflation to continue in 2018.

Results of Operations

A summary of our results for the three months ended September 30, 2017 include:

- Total net sales decreased 12.9% to \$724.8 million from \$832.4 million in the third quarter of 2016. On a constant currency basis, which is a non-GAAP financial measure, total net sales decreased 13.3%, with a decrease of 17.2% in the North America business segment and an increase of 7.0% in the International business segment.
- Gross margin was 43.1% as compared to 43.5% in the third quarter of 2016.
- Operating income decreased 27.8% to \$94.6 million as compared to \$131.1 million in the third quarter of 2016. Adjusted operating income, which is a non-GAAP financial measure, decreased 23.6% to \$100.1 million as compared to \$131.1 million in the third quarter of 2016.
- Net income decreased 42.7% to \$44.6 million as compared to \$77.8 million in the third quarter of 2016. Adjusted net income, which is a non-GAAP financial measure, decreased 29.4% to \$54.9 million as compared to \$77.8 million in the third quarter of 2016.
- Earnings before interest, tax, depreciation and amortization ("EBITDA") decreased 20.1% to \$123.8 million as compared to \$155.0 million for the third quarter of 2016. Adjusted EBITDA decreased 16.6% to \$129.3 million as compared to \$155.0 million in the third quarter of 2016.
- Earnings per diluted share ("EPS") decreased 38.6% to \$0.81 as compared to \$1.32 in the third quarter of 2016. Adjusted EPS, which is a non-GAAP financial measure, decreased 24.2% to \$1.00 as compared to \$1.32 in the third quarter of 2016.

For a discussion and reconciliation of non-GAAP financial measures as discussed above to the corresponding GAAP financial results, refer to the non-GAAP financial information set forth below under the heading "Non-GAAP Financial Information."

We may refer to net sales or earnings or other historical financial information on a "constant currency basis," which is a non-GAAP financial measure. These references to constant currency basis do not include operational impacts that could result from fluctuations in foreign currency rates. To provide information on a constant currency basis, the applicable financial results are adjusted based on a simple mathematical model that translates current period results in local currency using the comparable prior year period's currency conversion rate. This approach is used for countries where the functional currency is the local country currency. This information is provided so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby facilitating period-to-period comparisons of business performance. Constant currency information is not recognized under GAAP, and it is not intended as an alternative to GAAP measures. Refer to ITEM 3 under Part I of this Report for a discussion of our foreign currency disclosure.

Three Months Ended September 30,						
(in millions, except percentages and per share amounts)						
	2017			2016		
Net sales	\$	724.8	100.0 %	\$	832.4	100.0 %
Cost of sales		412.6	56.9		470.3	56.5
Gross profit		312.2	43.1		362.1	43.5
Selling and marketing expenses		155.4	21.4		175.2	21.0
General, administrative and other expenses		71.0	9.8		64.0	7.7
Equity income in earnings of unconsolidated affiliates		(3.5)	(0.5)		(2.4)	(0.2)
Royalty income, net of royalty expense		(5.3)	(0.7)		(5.8)	(0.7)
Operating income		94.6	13.1		131.1	15.7
Other expense, net:						
Interest expense, net		32.0	4.4		20.5	2.5
Other expense, net		1.1	0.2		0.3	—
Total other expense, net		33.1	4.6		20.8	2.5
Income before income taxes		61.5	8.5		110.3	13.3
Income tax provision		(20.3)	(2.8)		(33.7)	(4.1)
Net income before non-controlling interests		41.2	5.7		76.6	9.2
Less: Net loss attributable to non-controlling interests		(3.4)	(0.5)		(1.2)	(0.1)
Net income attributable to Tempur Sealy International, Inc.	\$	44.6	6.2 %	\$	77.8	9.3 %
Earnings per common share:						
Basic	\$	0.83		\$	1.34	
Diluted	\$	0.81		\$	1.32	
Weighted average common shares outstanding:						
Basic		54.0			58.2	
Diluted		54.9			58.8	

	Three Months Ended September 30,											
	2017		2016		2017		2016					
(in millions)	Consolidated		North America		International							
Net sales by channel												
Wholesale channel	\$	664.0	\$	791.3	\$	547.3	\$	685.1	\$	116.7	\$	106.2
Direct channel		60.8		41.1		33.3		13.4		27.5		27.7
Total net sales	\$	724.8	\$	832.4	\$	580.6	\$	698.5	\$	144.2	\$	133.9

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- *North America* net sales decreased \$117.9 million, or 16.9%. Excluding Mattress Firm, North America net sales increased \$53.6 million, or 10.2%, driven by growth across all of our brands. In the third quarter of 2016, net sales to Mattress Firm were \$171.5 million. Net sales in the Wholesale channel decreased \$137.8 million, or 20.1%, driven primarily by the termination of our contract with Mattress Firm. Excluding sales to Mattress Firm, Wholesale net sales increased 6.6%. During the third quarter of 2017, hurricanes impacted operations in two of our largest markets, Texas and Florida. We estimate that the hurricanes impacted our net sales in the third quarter by approximately \$10 to \$15 million. Additionally, sales to a national department store retailer in the wholesale channel significantly declined in 2017 as compared to 2016. Net sales in our Direct channel increased \$19.9 million, or 148.5%, driven primarily by growth in e-commerce. Canada net sales increased 5.8% on a constant currency basis.
- *International* net sales increased \$10.3 million, or 7.7%. On a constant currency basis, International net sales increased 7.0%, driven primarily by growth in Asia-Pacific and Latin America. Net sales in the Wholesale channel increased 7.7% on a constant currency basis. Net sales in the Direct channel increased 4.3% on a constant currency basis.

GROSS PROFIT

(in millions, except percentages)	Three Months Ended September 30,				
	2017		2016		Margin Change
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	
North America	\$ 238.4	41.1%	\$ 290.1	41.5%	(0.4)%
International	73.8	51.2%	72.0	53.8%	(2.6)%
Consolidated gross margin	\$ 312.2	43.1%	\$ 362.1	43.5%	(0.4)%

Costs associated with net sales are recorded in cost of sales and include the costs of producing, shipping, warehousing, receiving and inspecting goods during the period, as well as depreciation and amortization of long-lived assets used in the manufacturing process.

Gross margin declined 40 basis points. The principal factors impacting gross margin for each segment are discussed below.

- *North America* gross margin declined 40 basis points. The decline was primarily driven by the termination of the Mattress Firm relationship, which resulted in fixed cost deleverage of 160 basis points on lower net sales and 80 basis points of unfavorable brand mix. The loss of net sales had a disproportionate impact on higher gross margin Tempur products. We also recorded \$1.0 million of hurricane-related manufacturing and logistics costs in the third quarter of 2017 due to the impact on certain manufacturing facilities and distribution centers. Additionally, the decline in gross margin was due to unfavorable commodity costs of 150 basis points, offset by operational improvements of 160 basis points, favorable channel mix of 100 basis points and favorable product mix of 60 basis points.
- *International* gross margin declined 260 basis points. The decline was primarily driven by product launch costs of 130 basis points, as well as unfavorable channel mix and brand mix.

OPERATING EXPENSES

(in millions)	Three Months Ended September 30,							
	2017		2016		2017		2016	
	Consolidated		North America		International		Corporate	
Operating expenses:								
Advertising expenses	\$ 76.9	\$ 104.3	\$ 66.4	\$ 95.8	\$ 10.5	\$ 8.5	\$ —	\$ —
Other selling and marketing expenses	78.5	70.9	45.5	39.3	31.6	30.7	1.4	0.9
General, administrative and other expenses	71.0	64.0	29.1	29.4	17.4	12.7	24.5	21.9
Total operating expenses	\$ 226.4	\$ 239.2	\$ 141.0	\$ 164.5	\$ 59.5	\$ 51.9	\$ 25.9	\$ 22.8

Selling and marketing expenses include advertising and media production associated with the promotion of our brands, other marketing materials such as catalogs, brochures, videos, product samples, direct customer mailings and point of purchase materials, and sales force compensation. We also include certain new product development costs, including market research and new product testing in selling and marketing expenses.

General, administrative and other expenses include salaries and related expenses, information technology, professional fees, depreciation of buildings, furniture and fixtures, machinery, leasehold improvements and computer equipment, expenses for administrative functions and research and development costs.

Operating expenses decreased \$12.8 million, or 5.4%, and improved 250 basis points as a percentage of net sales. The primary drivers of changes in operating expenses by segment are explained below.

- *North America* operating expenses decreased \$23.5 million, or 14.3%, and improved 70 basis points as a percentage of net sales. The decrease in operating expenses was primarily driven by decreased participation in our wholesale cooperative advertising programs, offset by unfavorable operating expense leverage, which includes investments in marketing.
- *International* operating expenses increased \$7.6 million, or 14.6%, and improved 250 basis points as a percentage of net sales. In the third quarter of 2017, we recognized \$2.5 million of additional non-income tax obligations in one of our Latin American subsidiaries. We also recognized \$1.9 million of additional bad debt expense associated with a European customer who initiated bankruptcy proceedings. The remaining changes in operating expenses were driven by increased investments in our advertising.
- *Corporate* operating expenses increased \$3.1 million, or 13.6%. The increase is primarily due to professional fees incurred in 2017 as compared to the same period in 2016.

OPERATING INCOME

	Three Months Ended September 30,				
	2017		2016		Margin Change
	Operating Income	Operating Margin	Operating Income	Operating Margin	
(in millions, except percentages)					
North America	\$ 99.7	17.2%	\$ 128.3	18.4%	(1.2)%
International	20.8	14.4%	25.6	19.1%	(4.7)%
	120.5		153.9		
Corporate expenses	(25.9)		(22.8)		
Total operating income	\$ 94.6	13.1%	\$ 131.1	15.7%	(2.6)%

Operating income decreased \$36.5 million and operating margin declined 260 basis points. The decreases in operating income and operating margin by segment are discussed below.

- *North America* operating income decreased \$28.6 million and operating margin declined 120 basis points. The decline in operating margin was primarily driven by the termination of our contract with Mattress Firm at the beginning of the second quarter, which resulted in gross margin decline and unfavorable operating expense leverage.
- *International* operating income decreased \$4.8 million and operating margin declined 470 basis points. The decline in operating margin was primarily driven by the decline in gross margin and increases in operating expenses. Operating expense increases include additional non-income tax obligations in one of our Latin American subsidiaries, additional bad debt expense associated with the bankruptcy of a European customer and increased investments in our advertising.
- *Corporate* operating expenses increased \$3.1 million, or 13.6%. The increase is primarily due to professional fees incurred in 2017 as compared to the same period in 2016.

INTEREST EXPENSE, NET

<i>(in millions, except percentages)</i>	Three Months Ended September 30,		
	2017	2016	% Change
Interest expense, net	\$ 32.0	\$ 20.5	56.1%

Interest expense, net, increased \$11.5 million, or 56.1%. In the third quarter of 2017, we incurred approximately \$9.2 million of interest expense related to deferred payment programs on non-income tax obligations and local market financing arrangements in one of our Latin American subsidiaries. We are in the process of unwinding the deferred payment programs and financing arrangements, and we do not expect this type of interest expense to recur in the future.

INCOME TAX PROVISION

<i>(in millions, except percentages)</i>	Three Months Ended September 30,		
	2017	2016	% Change
Income tax provision	\$ 20.3	\$ 33.7	(39.8)%
Effective tax rate	33.0%	30.6%	

Income tax provision includes income taxes associated with taxes currently payable and deferred taxes, and includes the impact of net operating losses for certain of our foreign operations.

Our income tax provision decreased \$13.4 million, or 39.8%. Our effective tax rate increased 240 basis points as the result of the net impact of discrete items for the three months ended September 30, 2017, which primarily related to the recognition of valuation allowances in one of our Latin American subsidiaries. There was no material net impact as the result of discrete items that impacted the effective tax rate in the period ending September 30, 2016.

**NINE MONTHS ENDED SEPTEMBER 30, 2017 COMPARED TO THE
NINE MONTHS ENDED SEPTEMBER 30, 2016**

The following table sets forth the various components of our Condensed Consolidated Statements of Income, and expresses each component as a percentage of net sales:

<i>(in millions, except per share amounts)</i>	Nine Months Ended September 30,					
	2017			2016		
Net sales	\$	2,106.2	100.0 %	\$	2,357.8	100.0 %
Cost of sales		1,238.8	58.8		1,367.8	58.0
Gross profit		867.4	41.2		990.0	42.0
Selling and marketing expenses		461.4	21.9		498.1	21.1
General, administrative and other expenses		206.5	9.8		207.6	8.8
Customer termination charges, net		14.4	0.7		—	—
Equity income in earnings of unconsolidated affiliates		(10.6)	(0.5)		(8.6)	(0.4)
Royalty income, net of royalty expense		(15.0)	(0.7)		(15.1)	(0.6)
Operating income		210.7	10.0		308.0	13.1
Other expense, net:						
Interest expense, net		76.2	3.6		65.0	2.8
Loss on extinguishment of debt		—	—		47.2	2.0
Other income, net		(8.4)	(0.4)		—	—
Total other expense, net		67.8	3.2		112.2	4.8
Income before income taxes						
		142.9	6.8		195.8	8.3
Income tax provision		(48.0)	(2.3)		(60.2)	(2.5)
Net income before non-controlling interests		94.9	4.5		135.6	5.8
Less: Net loss attributable to non-controlling interests		(8.1)	(0.4)		(3.1)	(0.1)
Net income attributable to Tempur Sealy International, Inc.	\$	103.0	4.9 %	\$	138.7	5.9 %
Earnings per common share:						
Basic	\$	1.91		\$	2.31	
Diluted	\$	1.89		\$	2.28	
Weighted average common shares outstanding:						
Basic		54.0			60.1	
Diluted		54.6			60.8	

NET SALES

<i>(in millions)</i>	Nine Months Ended September 30,					
	2017		2016		2017	
	Consolidated		North America		International	
Net sales by channel						
Wholesale channel	\$	1,940.7	\$	2,242.4	\$	1,601.5
Direct channel		165.5		115.4		1,910.4
Total net sales	\$	2,106.2	\$	2,357.8	\$	339.2
					\$	332.0
						79.1
						411.1

Net sales decreased \$251.6 million, or 10.7%, and on a constant currency basis decreased 10.4%. The decrease in net sales was driven by:

- *North America* net sales decreased \$258.4 million, or 13.3%. Net sales to Mattress Firm were \$95.7 million prior to the termination of our contract at the beginning of the second quarter of 2017 as compared to \$512.9 million for the nine months ended September 30, 2016, which resulted in a net sales decrease of \$417.2 million. Excluding Mattress Firm, North America net sales increased \$158.8 million, or 11.1%, driven by growth across all of our brands. Net sales in the Wholesale channel decreased \$308.9 million, or 16.2%, driven primarily by the termination of our contract with Mattress Firm. Excluding sales to Mattress Firm, wholesale net sales increased 7.7%. During the third quarter of 2017, hurricanes impacted operations in two of our largest markets, Texas and Florida. We estimate that the hurricanes impacted our net sales in the third quarter by approximately \$10 to \$15 million. Additionally, sales to a national department store retailer in the Wholesale channel significantly declined in 2017 as compared to 2016. Net sales in our Direct channel increased \$50.5 million, or 139.1%, driven primarily by growth in e-commerce. Canada net sales increased 6.6% on a constant currency basis.
- *International* net sales increased \$6.8 million, or 1.7%. On a constant currency basis, International net sales increased 3.8%, driven primarily by growth in Asia-Pacific and Latin America, which was offset by weakness in certain European markets. Net sales in the Wholesale channel increased 4.0% on a constant currency basis. Net sales in the Direct channel increased 3.2% on a constant currency basis.

GROSS PROFIT

(in millions, except percentages)	Nine Months Ended September 30,				
	2017		2016		Margin Change
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	
North America	\$ 651.8	38.6%	\$ 771.9	39.7%	(1.1)%
International	215.6	51.6%	218.1	53.1%	(1.5)%
Consolidated gross margin	\$ 867.4	41.2%	\$ 990.0	42.0%	(0.8)%

Costs associated with net sales are recorded in cost of sales and include the costs of producing, shipping, warehousing, receiving and inspecting goods during the period, as well as depreciation and amortization of long-lived assets used in the manufacturing process.

Gross margin declined 80 basis points. The principal factors impacting gross margin for each segment are discussed below.

- *North America* gross margin declined 110 basis points. The decline was driven primarily by the termination of the Mattress Firm relationship, which resulted in unfavorable brand mix of 110 basis points and fixed cost deleverage of 110 basis points. In the first quarter of 2017, we also recorded charges associated with the Mattress Firm termination for an unfavorable impact of 70 basis points. These charges included a \$5.4 million write-off of customer-unique inventory and \$6.1 million of increased product obligations. The decline in gross margin was also due to unfavorable commodity costs of 90 basis points, offset by favorable channel mix of 140 basis points and operational productivity of 90 basis points. We recorded \$1.0 million of hurricane-related manufacturing and logistics costs in the third quarter of 2017 due to the impact on certain manufacturing facilities and distribution centers.
- *International* gross margin declined 150 basis points. The decline was driven primarily by product launch costs and mix.

OPERATING EXPENSES

(in millions)	Nine Months Ended September 30,							
	2017	2016	2017	2016	2017	2016	2017	2016
	Consolidated		North America		International		Corporate	
Operating expenses:								
Advertising expenses	\$ 220.9	\$ 275.1	\$ 193.4	\$ 247.9	\$ 27.5	\$ 27.2	\$ —	\$ —
Other selling and marketing expenses	240.5	223.0	144.6	127.8	91.7	91.6	4.2	3.6
General, administrative and other expenses	206.5	207.6	92.5	93.7	41.7	40.3	72.3	73.6
Customer termination charges, net	14.4	—	20.9	—	0.8	—	(7.3)	—
Total operating expenses	\$ 682.3	\$ 705.7	\$ 451.4	\$ 469.4	\$ 161.7	\$ 159.1	\$ 69.2	\$ 77.2

Selling and marketing expenses include advertising and media production associated with the promotion of our brands, other marketing materials such as catalogs, brochures, videos, product samples, direct customer mailings and point of purchase materials, and sales force compensation. We also include certain new product development costs, including market research and new product testing in selling and marketing expenses.

General, administrative and other expenses include salaries and related expenses, information technology, professional fees, depreciation of buildings, furniture and fixtures, machinery, leasehold improvements and computer equipment, expenses for administrative functions and research and development costs.

Operating expenses decreased \$23.4 million, or 3.3%, and improved 250 basis points as a percentage of net sales. The primary drivers of changes in operating expenses by segment are explained below.

- *North America* operating expenses decreased \$18.0 million and improved 260 basis points as a percentage of net sales. In the first quarter of 2017, we recorded \$20.9 million of charges related to the Mattress Firm termination, which included the \$17.2 million write-off of the March 31, 2017 value of customer incentives and marketing assets and \$3.7 million of employee-related and professional fees. Additionally, we had unfavorable operating expense leverage, including investments in marketing. These were offset by decreased participation in our wholesale cooperative advertising programs.
- *International* operating expenses increased \$2.6 million and were flat as a percentage of net sales. In the third quarter of 2017, we recognized \$2.5 million of non-income tax obligations in one of our Latin American subsidiaries. We also recognized \$1.9 million of additional bad debt expense associated with a customer in Europe who went bankrupt. In the first quarter of 2017, we recorded \$0.8 million of charges for certain employee-related expenses. These increases were offset by improved operating expense leverage.
- *Corporate* operating expenses decreased \$8.0 million, or 10.4%. The decrease in operating expenses was primarily driven by a \$9.3 million benefit recorded in the first quarter of 2017 for the change in estimate associated with performance-based stock compensation that is no longer probable of payout following the Mattress Firm termination, offset by \$0.9 million of accelerated stock-based compensation and \$1.1 million of other employee-related expenses and professional fees. Additionally, we incurred \$3.0 million of executive management transition expenses in the first quarter of 2016.

Research and development expenses for the nine months ended September 30, 2017 were \$16.9 million compared to \$19.7 million for the nine months ended September 30, 2016, a decrease of \$2.8 million, or 14.2%.

OPERATING INCOME

(in millions, except percentages)	Nine Months Ended September 30,				
	2017		2016		Margin Change
	Operating Income	Operating Margin	Operating Income	Operating Margin	
North America	\$ 206.9	12.3%	\$ 308.9	15.9%	(3.6)%
International	73.0	17.5%	76.1	18.5%	(1.0)%
	279.9		385.0		
Corporate expenses	(69.2)		(77.0)		
Total operating income	\$ 210.7	10.0%	\$ 308.0	13.1%	(3.1)%

Operating income decreased \$97.3 million and operating margin declined 310 basis points. The decreases in operating income and operating margin by segment are discussed below.

- *North America* operating income decreased \$102.0 million and operating margin declined 360 basis points. The decline in operating margin was primarily driven by the termination of our contract with Mattress Firm at the beginning of the second quarter, which resulted in gross margin decline and unfavorable operating expense leverage. The decline in operating margin was also driven by charges of \$32.4 million recorded in the first quarter of 2017 associated with the Mattress Firm termination. Cost of sales included \$11.5 million of charges related to the write-off of customer-unique inventory and increased product obligations. Operating expenses included \$20.9 million of charges related to the write-off of customer incentives and marketing assets, as well as employee-related expenses.
- *International* operating income decreased \$3.1 million and operating margin declined 100 basis points, which is primarily due to the decline in gross margin.
- *Corporate* operating expenses decreased \$7.8 million, which improved our consolidated operating margin by 40 basis points. In the first quarter of 2017, we recorded \$8.4 million of net stock-based compensation benefit.

INTEREST EXPENSE, NET

(in millions, except percentages)	Nine Months Ended September 30,		
	2017	2016	% Change
Interest expense, net	\$ 76.2	\$ 65.0	17.2%

Interest expense, net, increased \$11.2 million, or 17.2%. During the third quarter of 2017, we incurred approximately \$9.2 million of interest expense related to deferred payment programs on non-income tax obligations and local market financing arrangements in one of our Latin American subsidiaries. We are in the process of unwinding the deferred payment programs and financing arrangements, and we do not expect this type of interest expense to recur in the future. Additionally, during the second quarter of 2016, we incurred an additional \$2.1 million of interest related to overlapping periods between the issuance of the 2026 Senior Notes on May 24, 2016 and redemption of the 2020 Senior Notes on June 23, 2016.

LOSS ON EXTINGUISHMENT OF DEBT

In the second quarter of 2016, we issued our 2026 Senior Notes and completed our 2016 Credit Agreement. The net proceeds of the 2026 Senior Notes offering were used in part to redeem the Company's 2020 Senior Notes. The net proceeds from the 2016 Credit Agreement were used to repay the 2012 Credit Agreement in full and to pay certain transaction fees and expenses incurred in connection with the negotiation and execution of 2016 Credit Agreement. In association with these transactions, we recorded a \$47.2 million loss on extinguishment of debt. The \$47.2 million loss includes a \$23.6 million premium on the prepayment of our 2020 Senior Notes, \$11.0 million and \$4.8 million of deferred financing cost write-offs for the 2012 Credit Agreement and 2020 Senior Notes, respectively, and \$1.9 million and \$5.9 million of lender expenses for the 2016 Credit Agreement and 2026 Senior Notes, respectively.

OTHER INCOME, NET

Other income primarily includes \$9.3 million of payments received pursuant to the transition agreements with Mattress Firm, which were entered into during the first quarter of 2017. During the fourth quarter of 2016, we spent approximately \$13 million to support Mattress Firm with store transitions and product launches. The \$9.3 million of payments received from Mattress Firm during the first quarter of 2017 were intended to partially reimburse that prior investment.

INCOME TAX PROVISION

<i>(in millions, except percentages)</i>	Nine Months Ended September 30,		
	2017	2016	% Change
Income tax provision	\$ 48.0	\$ 60.2	(20.3)%
Effective tax rate	33.6%	30.7%	

Income tax provision includes income taxes associated with taxes currently payable and deferred taxes and includes the impact of net operating losses for certain of our foreign operations.

Our income tax provision decreased \$12.2 million, or 20.3%. Our effective tax rate increased 290 basis points as the result of the net impact of discrete items for the nine months ended September 30, 2017, which primarily related to the recognition of valuation allowances in one of our Latin American subsidiaries, increases in uncertain tax positions, and the repatriation of cash from our Canadian subsidiary. There was no material net impact as the result of discrete items that impacted the effective tax rate in the period ending September 30, 2016.

Liquidity and Capital Resources

Liquidity

Our principal sources of funds are cash flows from operations, borrowings made pursuant to our credit facilities and cash and cash equivalents on hand. Principal uses of funds consist of payments of principal and interest on our debt facilities, share repurchases, capital expenditures and working capital needs. As of September 30, 2017, we had working capital of \$46.7 million, including cash and cash equivalents of \$41.8 million, as compared to working capital of \$126.0 million including \$65.7 million in cash and cash equivalents as of December 31, 2016.

The decrease in working capital was primarily driven by decreases in cash and cash equivalents, as well as increases in accounts payable, income taxes payable and accrued expenses and other current liabilities. These changes were offset by an increase in accounts receivable. The decrease in cash and cash equivalents was primarily due to timing of principal and interest payments on our debt facilities, our share repurchase program and operating capital needs. Accounts payable changes are primarily driven by the timing of payments to vendors. Income taxes payable changes are primarily driven by the timing of estimated income tax payments. Accrued expenses and other current liabilities increases are primarily driven by the timing of interest payments on our senior notes, offset by the funding of employee compensation programs. Accounts receivable changes are primarily driven by net sales, in addition to timing of customer collections.

The table below presents net cash provided by (used in) operating, investing and financing activities for the periods indicated below:

<i>(in millions)</i>	Nine Months Ended September 30,	
	2017	2016
Net cash provided by (used in):		
Operating activities	\$ 202.5	\$ 109.8
Investing activities	(38.5)	(41.9)
Financing activities	(180.6)	(124.2)

Cash provided by operating activities increased \$92.7 million in the nine months ended September 30, 2017 as compared to the same period in 2016. The increase in cash provided by operating activities was primarily the result of an increase in cash provided by operating assets and liabilities. In the third quarter of 2016, we paid a \$92.0 million deposit with the Danish Tax Authority ("SKAT"). The remaining increase in cash provided by operating assets and liabilities was primarily due to changes in accounts payable and inventories. Additionally, we recorded a loss on extinguishment of debt of \$47.2 million associated with financing activities in 2016. Cash provided by operating activities includes \$9.3 million for payments received pursuant to the transition agreements with Mattress Firm.

Cash used in investing activities decreased \$3.4 million in the nine months ended September 30, 2017 as compared to the same period in 2016. In 2017, we received \$4.9 million in proceeds related to the sale of assets.

Cash used in financing activities increased \$56.4 million in the nine months ended September 30, 2017 as compared to the same period in 2016. In 2017, we made net repayments of \$138.8 million on our credit facilities, as compared to net borrowings of \$212.2 million in 2016. This decrease was primarily offset by a decrease in share repurchases of \$274.8 million in 2017 as compared to 2016. Additionally, we incurred other costs associated with the financing activities in 2016.

Capital Expenditures

Capital expenditures totaled \$43.4 million and \$41.9 million for the nine months ended September 30, 2017 and 2016, respectively. We currently expect our 2017 capital expenditures to be approximately \$60 to \$70 million, which relate to continued strategic investments that we believe will support our future plans.

Debt Service

On April 12, 2017, we entered into a securitization transaction with respect to certain accounts receivable. In connection with this transaction, we entered into a credit agreement that provides for revolving loans to be made from time to time in a maximum amount that varies over the course of the year based on the seasonality of our accounts receivable and that is subject to an overall limit of \$120.0 million. Revolving loans extended under this facility bear interest at a floating rate equal to a one month LIBOR index plus 80 basis points.

Our obligations under the securitization facility are secured by the accounts receivable and certain related rights and the facility agreements contain customary events of default. We continue to own the accounts receivable, which continue to be reflected as assets on our Condensed Consolidated Balance Sheets. Borrowings under this facility are classified as long-term debt within the Condensed Consolidated Balance Sheets. This credit agreement matures on April 12, 2019. As of September 30, 2017, the amount outstanding under this facility was \$46.5 million.

Our total debt decreased to \$1,762.9 million as of September 30, 2017 from \$1,901.0 million as of December 31, 2016. After giving effect to letters of credit outstanding of \$21.9 million under the 2016 Credit Agreement, total availability under the revolving facility was \$478.1 million as of September 30, 2017. Refer to Note 4, "Debt," in our Condensed Consolidated Financial Statements included in ITEM 1 under Part I for further discussion of our debt and applicable interest rates.

As of September 30, 2017, our ratio of consolidated funded debt less qualified cash to Adjusted EBITDA as calculated in accordance with our 2016 Credit Agreement was 3.70 times, which was within the terms of the consolidated total net leverage ratio covenant set forth in the 2016 Credit Agreement, which limits this ratio to 5.00 times. As of September 30, 2017, we were in compliance with all of the financial covenants in our debt agreements.

Our business continues to generate significant cash flows from operations. Our target ratio of consolidated funded debt less qualified cash to Adjusted EBITDA is 3.5 times, and we expect that this ratio could typically range from 3.0 times to 4.0 times. We expect to continue to use excess cash flows from operations for debt repayment. Subject to market conditions, we may also resume our share repurchase program sometime in 2018.

For additional information, refer to "Non-GAAP Financial Information" below for the calculation of the ratio of consolidated funded debt less qualified cash to Adjusted EBITDA calculated in accordance with our 2016 Credit Agreement. Both consolidated funded debt and Adjusted EBITDA as used in discussion of our 2016 Credit Agreement are terms that are not recognized under GAAP and do not purport to be alternatives to net income as a measure of operating performance or total debt.

Non-GAAP Financial Information

We provide information regarding adjusted net income, adjusted EPS, adjusted gross profit, adjusted gross margin, adjusted operating income (expense), adjusted operating margin, EBITDA, Adjusted EBITDA, consolidated funded debt and consolidated funded debt less qualified cash, and free cash flow, which are not recognized terms under GAAP and do not purport to be alternatives to net income and earnings per share as a measure of operating performance or an alternative to total debt. We believe these non-GAAP measures provide investors with performance measures that better reflect our underlying operations and trends, providing a perspective not immediately apparent from net income and operating income. The adjustments management makes to derive the non-GAAP measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP measure, but which management does not consider to be the fundamental attributes or primary drivers of our business, including the exclusion of charges associated with the Mattress Firm termination in the first quarter of 2017 and other costs.

We believe that exclusion of these items assists in providing a more complete understanding of our underlying results from continuing operations and trends, and management uses these measures along with the corresponding GAAP financial measures to manage our business, to evaluate our consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and to provide continuity to investors for comparability purposes. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with GAAP and these non-GAAP measures should be considered supplemental in nature and should not be construed as more significant than comparable measures defined by GAAP. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies. For more information about these non-GAAP measures and a reconciliation to the nearest GAAP measure, please refer to the reconciliations on the following pages.

Third Quarter 2017 Key Highlights

(in millions, except percentages and per common share amounts)	Three Months Ended		% Change	% Change Constant Currency ⁽¹⁾
	September 30, 2017	September 30, 2016		
Net sales	\$ 724.8	\$ 832.4	(12.9)%	(13.3)%
Net income	44.6	77.8	(42.7)%	(43.3)%
Adjusted net income ⁽¹⁾	54.9	77.8	(29.4)%	(30.1)%
EPS	0.81	1.32	(38.6)%	(39.4)%
Adjusted EPS ⁽¹⁾	1.00	1.32	(24.2)%	(25.0)%
EBITDA ⁽¹⁾	123.8	155.0	(20.1)%	(20.6)%
Adjusted EBITDA ⁽¹⁾	129.3	155.0	(16.6)%	(17.1)%

(1) This is a non-GAAP financial measure. Please refer to the reconciliations in the following tables.

Adjusted Net Income and Adjusted EPS

A reconciliation of GAAP net income to adjusted net income and a calculation of adjusted EPS is provided below. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of various adjustments as described in the footnotes at the end of the following table.

The following table sets forth the reconciliation of our GAAP net income to adjusted net income and a calculation of adjusted EPS for the three months ended September 30, 2017 and 2016:

(in millions, except per share amounts)	Three Months Ended	
	September 30, 2017	September 30, 2016
GAAP net income	\$ 44.6	\$ 77.8
Latin American subsidiary charges ⁽¹⁾	11.7	—
Other costs ⁽²⁾	3.0	—
Tax adjustments ⁽³⁾	(4.4)	—
Adjusted net income	\$ 54.9	\$ 77.8
Adjusted earnings per common share, diluted	\$ 1.00	\$ 1.32
Diluted shares outstanding	54.9	58.8

- (1) In the third quarter of 2017, we recorded \$11.7 million of charges related to non-income taxes and financing arrangements in one of our Latin American subsidiaries. Interest expense includes \$9.2 million of charges, comprised of \$4.9 million of interest expense on the non-income tax obligations and \$4.3 million of interest expense on the financing arrangements. Operating expenses include \$2.5 million of non-income tax charges.
- (2) In the third quarter of 2017, we incurred \$3.0 million in other costs. Cost of sales include \$1.0 million of hurricane-related manufacturing and logistics costs due to the impact on certain manufacturing facilities and distribution centers. Operating expenses include \$2.0 million of bad debt expense associated with a customer's bankruptcy and donations for hurricane relief efforts.
- (3) Adjusted income tax provision represents adjustments associated with the aforementioned items and other discrete income tax events.

Adjusted Gross Profit and Gross Margin and Adjusted Operating Income (Expense) and Operating Margin

A reconciliation of GAAP gross profit and gross margin to adjusted gross profit and gross margin, respectively, and GAAP operating income (expense) and operating margin to adjusted operating income (expense) and operating margin, respectively, is provided below. We believe that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of various adjustments as described in the footnotes at the end of the following table.

The following table sets forth the reconciliation of our reported GAAP gross profit and operating income (expense) to the calculation of adjusted gross profit and operating income (expense) for the three months ended September 30, 2017:

(in millions, except percentages)	Three Months Ended September 30, 2017						
	Consolidated	Margin	North America ⁽¹⁾	Margin	International ⁽²⁾	Margin	Corporate
Net sales	\$ 724.8		\$ 580.6		\$ 144.2		\$ —
Gross profit	\$ 312.2	43.1%	\$ 238.4	41.1%	\$ 73.8	51.2%	\$ —
Adjustments	1.0		1.0		—		—
Adjusted gross profit	\$ 313.2	43.2%	\$ 239.4	41.2%	\$ 73.8	51.2%	\$ —
Operating income (expense)	\$ 94.6	13.1%	\$ 99.7	17.2%	\$ 20.8	14.4%	\$ (25.9)
Adjustments	5.5		1.1		4.4		—
Adjusted operating income (expense)	\$ 100.1	13.8%	\$ 100.8	17.4%	\$ 25.2	17.5%	\$ (25.9)

- (1) Adjustments for the North America business segment represent \$1.1 million of hurricane-related costs, which were recorded primarily in cost of sales.
- (2) Adjustments for the International business segment represent \$2.5 million of non-income tax charges in one of our Latin American subsidiaries and \$1.9 million of bad debt expense associated with a customer's bankruptcy.

The following table sets forth our reported GAAP gross profit and operating income (expense) for the three months ended September 30, 2016. We had no adjustments to GAAP gross profit and operating income (expense) for the three months ended September 30, 2016:

(in millions, except percentages)	Three Months Ended September 30, 2016						
	Consolidated	Margin	North America	Margin	International	Margin	Corporate
Net sales	\$ 832.4		\$ 698.5		\$ 133.9		\$ —
Gross profit	\$ 362.1	43.5%	\$ 290.1	41.5%	\$ 72.0	53.8%	\$ —
Operating income (expense)	\$ 131.1	15.7%	\$ 128.3	18.4%	\$ 25.6	19.1%	\$ (22.8)

EBITDA, Adjusted EBITDA, Consolidated Funded Debt Less Qualified Cash and Free Cash Flow

The following reconciliations are provided below:

- GAAP net income to EBITDA and Adjusted EBITDA
- Total debt to consolidated funded debt less qualified cash
- Ratio of consolidated funded debt less qualified cash to Adjusted EBITDA
- Net cash provided by operating activities to free cash flow

We believe that presenting these non-GAAP measures provides investors with useful information with respect to our operating performance and comparisons from period to period, as well as general information about our progress in reducing our leverage.

The following table sets forth the reconciliation of our reported GAAP net income to the calculations of EBITDA and Adjusted EBITDA for the three months ended September 30, 2017 and 2016:

(in millions)	Three Months Ended	
	September 30, 2017	September 30, 2016
GAAP net income	\$ 44.6	\$ 77.8
Interest expense, net	32.0	20.5
Income taxes	20.3	33.7
Depreciation and amortization	26.9	23.0
EBITDA	\$ 123.8	\$ 155.0
Adjustments:		
Latin American subsidiary charges ⁽¹⁾	2.5	—
Other costs ⁽²⁾	3.0	—
Adjusted EBITDA	\$ 129.3	\$ 155.0

(1) In the third quarter of 2017, we recorded \$11.7 million of charges related to non-income taxes and financing arrangements in one of our Latin American subsidiaries. Interest expense includes \$9.2 million of charges, comprised of \$4.9 million of interest expense on the non-income tax obligations and \$4.3 million of interest expense on the financing arrangements. Operating expenses include \$2.5 million of non-income tax charges.

(2) In the third quarter of 2017, we incurred \$3.0 million in other costs. Cost of sales include \$1.0 million of hurricane-related manufacturing and logistics costs due to the impact on certain manufacturing facilities and distribution centers. Operating expenses include \$2.0 million of bad debt expense associated with a customer's bankruptcy and donations for hurricane relief efforts.

The following table sets forth the reconciliation of our net income to the calculations of EBITDA and Adjusted EBITDA for the trailing twelve months ended September 30, 2017:

(in millions)	Trailing Twelve Months Ended	
	September 30, 2017	
GAAP net income	\$	166.4
Interest expense, net		96.4
Income taxes		74.6
Depreciation and amortization		89.1
EBITDA	\$	426.5
Adjustments:		
Customer termination charges ⁽¹⁾		34.3
Restructuring costs ⁽²⁾		7.8
Latin American subsidiary charges ⁽³⁾		2.5
Other costs ⁽⁴⁾		3.0
Adjusted EBITDA	\$	474.1

Consolidated funded debt less qualified cash	\$	1,753.4
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Ratio of consolidated funded debt less qualified cash to Adjusted EBITDA		3.70 times
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- (1) Adjusted EBITDA excludes \$34.3 million of charges related to the termination of the relationship with Mattress Firm. This amount represents the \$25.9 million of net charges and adds the net amortization impact of \$8.4 million of stock-based compensation benefit incurred in the first quarter of 2017.
- (2) Restructuring costs represents costs associated with headcount reduction and store closures.
- (3) In the third quarter of 2017, we recorded \$11.7 million of charges related to non-income taxes and financing arrangements in one of our Latin American subsidiaries. Interest expense includes \$9.2 million of charges, comprised of \$4.9 million of interest expense on the non-income tax obligations and \$4.3 million of interest expense on the financing arrangements. Operating expenses include \$2.5 million of non-income tax charges.
- (4) In the third quarter of 2017, we incurred \$3.0 million in other costs. Cost of sales include \$1.0 million of hurricane-related manufacturing and logistics costs due to the impact on certain manufacturing facilities and distribution centers. Operating expenses include \$2.0 million of bad debt expense associated with a customer's bankruptcy and donations for hurricane relief efforts.

Under our 2016 Credit Agreement, Adjusted EBITDA contains certain restrictions that limit adjustments to GAAP net income when calculating Adjusted EBITDA. For the twelve months ended September 30, 2017 and 2016, our adjustments to GAAP net income when calculating Adjusted EBITDA did not exceed the allowable amount under the 2016 Credit Agreement.

The ratio of Adjusted EBITDA under our 2016 Credit Agreement to consolidated funded debt less qualified cash is 3.70 times for the trailing twelve months ended September 30, 2017. Our 2016 Credit Agreement requires us to maintain a ratio of consolidated funded debt less qualified cash to Adjusted EBITDA of less than 5.00:1.00 times.

The following table sets forth the reconciliation of our reported total debt to the calculation of consolidated funded debt less qualified cash as of September 30, 2017. "Consolidated funded debt" and "qualified cash" are terms used in our 2016 Credit Agreement for purposes of certain financial covenants.

<i>(in millions)</i>	September 30, 2017
Total debt, net	\$ 1,753.0
Plus: Deferred financing costs ⁽¹⁾	9.9
Total debt	1,762.9
Plus: Letters of credit outstanding	22.4
Consolidated funded debt	\$ 1,785.3
Less:	
Domestic qualified cash ⁽²⁾	17.2
Foreign qualified cash ⁽²⁾	14.7
Consolidated funded debt less qualified cash	\$ 1,753.4

- (1) We present deferred financing costs as a direct reduction from the carrying amount of the related debt in the Condensed Consolidated Balance Sheets. For purposes of determining total debt for financial covenant purposes, we have added these costs back to total debt, net as calculated in the Condensed Consolidated Balance Sheets.
- (2) Qualified cash as defined in the 2016 Credit Agreement equals 100.0% of unrestricted domestic cash plus 60.0% of unrestricted foreign cash. For purposes of calculating leverage ratios, qualified cash is capped at \$150.0 million.

The following table sets forth the reconciliation of our net cash from operating activities to free cash flow for the three and nine months ended September 30, 2017 and 2016:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2,017	2,016	2,017	2,016
Net cash provided by operating activities	\$ 127.3	\$ 57.9	\$ 202.5	\$ 109.8
Subtract: Purchases of property, plant and equipment	17.5	17.6	43.4	41.9
Free cash flow	\$ 109.8	\$ 40.3	\$ 159.1	\$ 67.9

Stockholders' Equity

Share Repurchase Program

In February 2017, the Board authorized a \$200.0 million increase in the existing share repurchase authorization for repurchases of Tempur Sealy International's common stock. During the first quarter of 2017, we repurchased 0.6 million shares for approximately \$40.1 million. We did not repurchase any shares during the second quarter or third quarter of 2017 under this program. As of September 30, 2017, we had approximately \$226.9 million remaining under the existing share repurchase authorization. For a complete description of our Share Repurchase Program, please refer to our Annual Report on Form 10-K, including "*Management's Discussion and Analysis of Financial Condition and Results of Operations -Stockholders' Equity*" included in ITEM 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2016.

Future Liquidity Sources and Uses

Our primary sources of liquidity are cash flows from operations and borrowings under our debt facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources. As of September 30, 2017, we had \$1,762.9 million in total debt outstanding, and our Adjusted EBITDA was \$129.3 million for the three months ended September 30, 2017. Our debt service obligations could, under certain circumstances, have material consequences to our security holders. Total cash interest payments related to our borrowings are expected to be approximately \$85.0 to \$90.0 million in 2017.

On April 12, 2017, we entered into a securitization transaction with respect to certain accounts receivable. In connection with this transaction, we entered into a credit agreement that provides for revolving loans to be made from time to time in a maximum amount that varies over the course of the year based on seasonality subject to an overall limit of \$120.0 million. The revolving loans bear interest at a floating rate equal to a one month LIBOR index plus 80 basis points.

Based upon the current level of operations, we believe that cash generated from operations and amounts available under our credit facilities will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. There can be no assurance, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available under our debt facilities or otherwise enable us to service our indebtedness or to make anticipated capital expenditures.

During the third quarter of 2017, we recorded \$11.7 million of charges, including interest expense of \$9.2 million, related to deferred payment programs on non-income tax obligations and local market financing arrangements in one of our Latin American subsidiaries. We are in the process of unwinding the deferred payment programs and financing arrangements, and we will begin repaying these obligations and related interest in the fourth quarter of 2017.

At September 30, 2017, total cash and cash equivalents were \$41.8 million, of which \$17.2 million was held in the U.S. and \$24.6 million was held by subsidiaries outside of the U.S. The amount of cash and cash equivalents held by subsidiaries outside of the U.S. and not readily convertible into other major foreign currencies, or the U.S. Dollar, is not material to our overall liquidity or financial position.

Contractual Obligations

On April 12, 2017, we entered into a securitization transaction with respect to certain accounts receivable. In connection with this transaction, we entered into a credit agreement that provides for revolving loans to be made from time to time in a maximum amount that varies over the course of the year based on the seasonality of our accounts receivable and that is subject to an overall limit of \$120.0 million. The revolving loans bear interest at a floating rate equal to a one month LIBOR index plus 80 basis points.

Our obligations under the securitization transaction facility are secured by the accounts receivable and certain related rights and the facility agreements contain customary events of default. We continue to own the accounts receivable, which continue to be reflected as assets on our Condensed Consolidated Balance Sheets. Borrowings under this facility are classified as long-term debt within the Condensed Consolidated Balance Sheets. This credit agreement matures on April 12, 2019. As of September 30, 2017, the amount outstanding under this facility was \$46.5 million.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and estimates, please refer to ITEM 7 under Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to our critical accounting policies and estimates in 2017, other than Goodwill and Indefinite-Lived Intangible Assets discussed below.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are evaluated for impairment annually as of October 1 and whenever events or circumstances make it more likely than not that impairment may have occurred.

We test goodwill for impairment by comparing the book values to the fair value at the reporting unit level. Our reporting units are our North America and International segments. We test individual indefinite-lived intangible assets by comparing the book value of each asset to the estimated fair value. If the fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the fair value, further analysis is performed to measure the impairment loss.

The fair value of each reporting unit is determined by using an income approach, which uses a discounted cash flow approach and a market approach. The fair value of each indefinite-lived intangible asset is determined using an income approach. Significant management judgment is necessary to evaluate the impact of operating and macroeconomic changes on each reporting unit. The significant estimates and assumptions include projected sales growth, gross profit rates, selling, general and administrative rates, working capital requirements, capital expenditures and terminal growth rates, discount rates per reporting unit and the selection of peer company multiples. We determine discount rates separately for each reporting unit using the weighted average cost of capital, which includes a calculation of cost of equity, which is developed using the capital asset pricing model and comparable company betas (a measure of systemic risk) and cost of debt. We also use comparable market earnings multiple data and our market capitalization to corroborate our reporting unit valuations.

We have not made any material changes in our reporting units or the accounting methodology we use to assess impairment loss on goodwill and indefinite-lived intangible assets since December 31, 2016.

On January 30, 2017, we agreed to terminate our relationship with Mattress Firm effective April 3, 2017. Mattress Firm was a customer within the North America segment and was our largest customer for 2016 and the first quarter of 2017. We conducted an interim impairment analysis on our North America reporting unit and indefinite-lived intangible assets during the first quarter of 2017, which indicated that the fair values of the North America reporting unit and indefinite-lived intangible assets remained substantially in excess of their carrying values. Despite that excess, however, impairment charges could still be required in the future if other significant economic events occur or our assumptions on how quickly we can recapture market share and net sales following the termination of our Mattress Firm relationship do not meet our current expectations. No additional impairment indicators were identified during the three months ended September 30, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exposures

We manage a portion of our exposure in foreign currency transactions through the use of foreign exchange forward contracts. Refer to Note 1, "Summary of Significant Accounting Policies," to the accompanying consolidated financial statements for a summary of our foreign exchange forward contracts as of September 30, 2017.

As a result of our global operations, our earnings are exposed to changes in foreign currency exchange rates. Many of our foreign businesses operate in functional currencies other than the U.S. dollar. If the U.S. dollar weakened relative to the euro or other foreign currencies where we have operations, there would be a positive impact on our operating results upon translation of those foreign operating results into the U.S. dollar. Foreign currency exchange rate changes positively impacted our Adjusted EBITDA by approximately 0.6% in the three months ended September 30, 2017. If the U.S. dollar strengthened relative to the euro or other foreign currencies where we have operations, there would be a negative impact on our operating results upon translation of those foreign operating results into the U.S. dollar. Foreign currency exchange rate changes negatively impacted our Adjusted EBITDA by approximately 1.1% in the nine months ended September 30, 2017. We do not hedge the translation of foreign currency operating results into the U.S. dollar.

We hedge a portion of our currency exchange exposure relating to foreign currency transactions with foreign exchange forward contracts. A sensitivity analysis indicates the potential loss in fair value on foreign exchange forward contracts outstanding at September 30, 2017, resulting from a hypothetical 10.0% adverse change in all foreign currency exchange rates against the U.S. dollar, is approximately \$5.2 million. Such losses would be largely offset by gains from the revaluation or settlement of the underlying assets and liabilities that are being protected by the foreign exchange forward contracts.

Interest Rate Risk

On September 30, 2017, we had variable-rate debt of approximately \$609.0 million. Holding other variables constant, including levels of indebtedness, a one hundred basis point increase in interest rates on our variable-rate debt would cause an estimated reduction in income before income taxes of approximately \$6.1 million. We continue to evaluate the interest rate environment and look for opportunities to improve our debt structure and minimize interest rate risk and expense.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2017, and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 8, "Commitments and Contingencies," in the "Notes to Condensed Consolidated Financial Statements," in ITEM 1 under Part I of this Report for a description of certain legal proceedings.

We are involved in various other legal proceedings incidental to the operations of our business. We believe that the outcome of all such pending other legal proceedings in the aggregate will not have a material adverse effect on our business, financial condition, liquidity or operating results.

ITEM 1A. RISK FACTORS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities

The following table sets forth purchases of our common stock for the three months ended September 30, 2017:

Period	(a) Total number of shares purchased	(b) Average Price Paid per Share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value of shares) that may yet be purchased under the plans or programs (in millions)
July 1, 2017 - July 31, 2017	—	\$—	—	\$226.9
August 1, 2017 - August 31, 2017	—	\$—	—	\$226.9
September 1, 2017 - September 30, 2017	13,255 ⁽¹⁾	\$62.10	—	\$226.9
Total	13,255		—	

(1) Includes shares withheld upon the vesting of certain equity awards to satisfy tax withholding obligations. The shares withheld were valued at the closing price of the common stock on the New York Stock Exchange on the vesting date or prior business day.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) Not applicable.

(b) Not applicable.

ITEM 6. EXHIBITS

The following is an index of the exhibits included in this report:

10.1	<u>Tempur Sealy International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-31922) filed on July 26, 2017)</u> ⁽¹⁾
10.2	<u>Form of 2017 Performance Restricted Stock Unit Award Agreement (Project 650 Award) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-31922) filed on August 7, 2017)</u> ⁽¹⁾
10.3	<u>Employment and Non-Competition Agreement dated September 5, 2017, by and between Tempur Sealy International, Inc. and H. Clifford Buster, III</u> ⁽¹⁾
10.4	<u>2017 Performance Restricted Stock Unit Award Agreement dated as of September 5, 2017, between Tempur Sealy International, Inc. and H. Clifford Buster, III</u> ⁽¹⁾
10.5	<u>Restricted Stock Unit Award Agreement dated as of September 5, 2017, between Tempur Sealy International, Inc. and H. Clifford Buster, III</u> ⁽¹⁾
10.6	<u>Employment and Non-Competition Agreement dated October 13, 2017 by and between Tempur Sealy International, Inc. and Bhaskar Rao</u> ⁽¹⁾
10.7	<u>2017 Performance Restricted Stock Unit Award Agreement dated as of October 13, 2017, between Tempur Sealy International, Inc. and Bhaskar Rao</u> ⁽¹⁾
10.8	<u>Restricted Stock Unit Award Agreement dated October 13, 2017, between Tempur Sealy International, Inc. and Bhaskar Rao</u> ⁽¹⁾
31.1	<u>Certification of Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.0	The following materials from Tempur Sealy International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements

(1) Indicates management contract or compensatory plan or arrangement.

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78r), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEMPUR SEALY INTERNATIONAL, INC.

Date: November 9, 2017

By:

/s/ BHASKAR RAO

Bhaskar Rao

Executive Vice President and Chief Financial Officer

**EMPLOYMENT AND NON-COMPETITION AGREEMENT
(H. Clifford Buster, III)**

THIS EMPLOYMENT AND NON-COMPETITION AGREEMENT (the “Agreement”) is executed as of this 5th day of September, and effective as of September 5, 2017 (the “Date of Hire”), by and between Tempur Sealy International, Inc., a Delaware corporation (the “Company”), and H. Clifford Buster, III, an individual (“Employee”).

In consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Date of Hire, the Company agrees to employ Employee, and Employee accepts employment by the Company, for the period commencing on the Date of Hire and ending on the first anniversary of the Date of Hire (the “Initial Term”), subject to earlier termination as hereinafter set forth in Article III. Unless earlier terminated in accordance with Article III, following the expiration of the Initial Term, this Agreement shall be automatically renewed for successive one-year periods (collectively, the “Renewal Terms”; individually, a “Renewal Term”) unless, at least ninety (90) days prior to the expiration of the Initial Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in which case the Employee’s employment with the Company, and the Company’s obligations hereunder, shall terminate as of the end of the Initial Term or said Renewal Term, as applicable. Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee.

1.2 Position and Duties. Employee shall be employed in the position of Executive Vice President, Direct to Consumer, North America or such other executive position as may be assigned from time to time by the Company’s Chief Executive Officer; provided that any executive position that does not also include continuing in the role of Executive Vice President will require the consent of the Employee. In such capacity, Employee shall be subject to the authority of, and shall report to, the Company’s Chief Executive Officer. Employee’s duties and responsibilities shall include those customarily attendant to Employee’s position and such other duties and responsibilities as may be assigned from time to time by the Chief Executive Officer. Employee shall devote Employee’s entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of \$425,000.00 ("Base Salary"), payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment from time to time by the Board of Directors or its Compensation Committee at their discretion in accordance with the Company's annual review policy. Based on the Company's current policy, the Company expects Employee's first annual review would be during the first quarter of 2018.

2.2 Performance Bonus.

(a) Employee will be eligible to earn an annual performance-based bonus based on performance criteria approved by the Company's Board of Directors or its Compensation Committee for each full or pro rata portion of any fiscal year during which Employee is employed by the Company (each, a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto being determined annually in the sole discretion of the Company's Board of Directors or its Compensation Committee (the "Performance Bonus"). The amount of the Performance Bonus will vary based on the achievement of Company and individual performance criteria established by the Company's Board of Directors or its Compensation Committee, but the performance criteria will be set to target a Performance Bonus equal to a designated percentage of Base Salary as of December 31st of the applicable Bonus Year if the performance criteria are met (the "Target Bonus").

(b) For 2017, the Company will pay the Employee a bonus in the amount of \$99,166.67 (the "2017 Bonus"), representing a pro rata portion of 70% of his Base Salary payable for 2017. The 2017 Bonus will be paid on or before March 15, 2018.

2.3 Equity Awards.

(a) Grant of Restricted Stock Units. On the Date of Hire, the Company will grant Employee restricted stock units ("RSUs") to acquire shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), pursuant to the form of Restricted Stock Unit Award Agreement attached as Exhibit B to this Agreement, with the total shares of Common Stock subject to the RSUs having a fair market value on the date of grant of \$975,000 (based on the closing price on the New York Stock Exchange on the date of grant) and subject to vesting in four equal installments (the "Restricted Stock Unit Award Agreement").

(b) Project 650 Award. On the Date of Hire, the Company will grant Employee performance restricted stock units for 100,000 shares of the Company's Common Stock pursuant to the form of Performance Restricted Stock Unit Award Agreement attached as Exhibit C to this Agreement (the "2017 Performance Restricted Stock Unit Award Agreement").

(c) The Company anticipates that commencing in 2018 Employee will be considered for future equity awards in accordance with the Company's process for executives, but the timing, amount and terms of any future grants will be subject to the discretion of the Board of Directors or the Compensation Committee.

2.4 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.5 Financial Planning. Employee shall be eligible to participate in the Company's executive financial planning program which provides reimbursement of financial planning expenses to eligible executives in accordance to the terms of the program.

2.6 Vacation. Employee shall be entitled to vacation days in any calendar year in accordance with the Company's general vacation policies for senior executive employees.

2.7 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.8 Withholdings. All payments to be made by the Company hereunder will be subject to any withholding requirements.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligations under Article IV hereof) for "Good Reason" (as hereinafter defined) if (i) Employee reasonably determines in good faith

that a Good Reason condition has occurred, (ii) Employee gives written notice thereof to the Company within thirty (30) days of the Good Reason event (which notice shall specify in reasonable detail the grounds upon which such notice is given), (iii) the Company fails, within thirty (30) days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice, and Employee has cooperated in good faith with the Company's efforts to cure such condition, (iv) notwithstanding such efforts, the Good Reason condition continues to exist, and (v) Employee terminates his employment within thirty (30) days after the end of such thirty (30)-day cure period. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over sixty (60) miles from any of the Company's then existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of this Agreement or any other written agreement between Employee and the Company which is not cured within thirty (30) days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties and allowing Employee thirty (30) days after receipt by Employee of such notice to cure such failure to perform, (ii) material breach of this or any other written agreement between Employee and the Company which is not cured within thirty (30) days after receipt by the Employee from the Company of written notice of such breach, (iii) any material violation of any written policy of the Company which is not cured within thirty (30) days after receipt by Employee from the Company of written notice of such violation, (iv) Employee's willful misconduct which is materially and demonstrably injurious to the Company, (v) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (vi) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company or any breach of fiduciary duty or breach of the duty of loyalty, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the

good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii), (iv), (v) or (vi) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i) automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for ninety (90) days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, in each case Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company in the case of clauses (ii), (iii) and (v) below, (i) any unpaid Base Salary and the value of any accrued but unused vacation, (ii) a pro-rata portion of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs (based on the number of days of the Bonus Year prior to the effective date of termination and the amount of the Target Bonus set by the Board of Directors or Compensation Committee for the Employee for such Bonus Year) and whatever rights as to equity awards as Employee may have pursuant to any equity awards agreement with the Company, (iii) payment of Base Salary for twelve (12) months (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iv) reimbursement of expenses to which Employee is entitled under Section 2.7 hereof, and (v) to the extent Employee timely elects "continuation coverage" under Section 4980B of the Code ("COBRA") reimbursement for the cost of continuation of the group medical plans of the Company as detailed in Section 2.4 hereof for the duration of the Severance Period, at the same rate of the Company's portion of the shared costs of such benefits as in effect from time to time for active employees of the Company; provided, however that (x) if the Company cannot continue such COBRA benefits, the Company shall reimburse Employee for the cost of replacing such benefits, and (y) such COBRA benefits shall be discontinued in the event

Employee becomes eligible for similar benefits from a successor employer (and Employee shall promptly notify the Company of his eligibility for any such benefits).

(b) Section 3.1(c) and 3.1(d) Termination; Termination By Employee (Not for Good Reason). If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company in the case of clause (iii) below, (i) any unpaid Base Salary, (ii) in the case of Section 3.1(d) hereof, the value of any accrued but unused vacation, (iii) in the case of Section 3.1(d) hereof, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and whatever rights as to equity awards as Employee may have pursuant to any equity award agreement with the Company and (iv) reimbursement of expenses to which Employee is entitled under Section 2.7 hereof.

(c) Release; Timing of Payments. The release and waiver described in Sections 3.2(a) and (b) shall be delivered to the Employee on or before the fourteenth (14th) day following separation from employment with the Company. Further and notwithstanding the foregoing provisions of this Section 3.2, if the release and waiver described in, and required by, Section 3.2(a) and 3.2(b) as applicable, has not been executed, delivered and become irrevocable on or before the end of the sixty (60)-day period following Employee's termination of employment with the Company, no payments due pursuant to Section 3.2(a) or (b), as applicable, shall be, or shall become, payable. Further, to the extent that (A) such termination of employment occurs within 60 days of the end of any calendar year, and (B) any of such payments and severance benefits constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount, or provision of any benefit, otherwise scheduled to occur prior to the 60th day following the date of Employee's termination of employment hereunder, but for the condition on executing the release and waiver as set forth herein, shall be made (or commence being made) on the later of January 15th of the next calendar year following termination of employment or the date such release and waiver is delivered and has become irrevocable, after which any remaining payments and severance benefits shall thereafter be provided to Employee without interest according to the applicable schedule set forth herein.

ARTICLE IV

CONFIDENTIALITY; NON-COMPETITION; NON-SOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) “Trade Secret” means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) “Confidential Information” means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company’s or any of its subsidiaries’ existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company’s or any of its subsidiaries’ business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee’s employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee’s use of general skills and know-how acquired during and prior to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee’s employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company’s or any of its subsidiaries’ Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company’s or any of its subsidiaries’ Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

(d) Copyright. All copyrightable work by the Employee relating to the Company’s business or the business of any subsidiary or affiliate of the Company during the term of the Employee’s employment by the Company is intended to be “work made for hire” as defined in Section 101 of the Copyright Act of 1976, and shall be the property of the Company. If the copyright to any such copyrightable work is not the property of the Company by operation of law, the Employee will, without further consideration, assign to the Company all right, title and interest in such copyrightable work and will assist the Company and its nominees in every way, at the

Company's expense, to secure, maintain and defend for the Company's benefit, copyrights and any extensions and renewals thereof on any and all such work including translations thereof in any and all countries, such work to be and remain the property of the Company whether copyrighted or not.

(e) Exceptions. The provisions of paragraphs (b) and (c) above will not be deemed to prohibit any disclosure that is required by law or court order, provided that Employee has not intentionally taken actions to trigger such required disclosure and the Company is given reasonable prior notice and an opportunity to contest or minimize such disclosure.

4.2 Non-Competition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries (including without limitation those businesses listed in Exhibit A attached hereto) within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Non-solicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leaving his employment with the Company or any of its subsidiaries to leave their employment with the Company.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company or any of its subsidiaries any of Employee's previous employer's confidential information

or trade secrets. Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties. In addition, Employee and the Company agree that it is important for any prospective employer to be aware of this Agreement, so that disputes concerning this Agreement can be avoided in the future. Therefore, the Employee agrees that, following termination of employment with the Company, the Company may forward a copy of Article IV of this Agreement (and any related Exhibits hereto) to any future prospective or actual employer, and the Employee releases the Company from any claimed liability or damage caused to the Employee by virtue of the Company's act in making that prospective or actual employer aware of Article IV of this Agreement (and any related Exhibits hereto).

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to seek injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to fifteen (15) written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within thirty (30) days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 6.1):

(a) If to the Company:

Tempur Sealy International, Inc.
1000 Tempur Way
Lexington, KY 40511
Attention: Chief Executive Officer

With a copy to Senior Vice President and General Counsel

6.2 Entire Agreement. This Agreement, together with the exhibits hereto, contains the entire understanding and the full and complete agreement of the parties and supersedes and replaces any prior understandings and agreements among the parties with respect to the subject matter hereof.

6.3 Miscellaneous. This Agreement may be altered, amended or modified only in writing, signed by both of the parties hereto, except that either party may update its address set forth in Section 6.1 by providing a notice of the updated address in the manner set forth in Section 6.1. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Jurisdiction; Construction. This Agreement shall be governed by the internal laws of the Commonwealth of Kentucky, without regard to any rules of construction that would require application of the laws of another jurisdiction. Any legal proceeding related to this Agreement and permitted under Section 4.7 and Article V hereof must be litigated in an appropriate Kentucky state or federal court, and both the Company and the Employee hereby consent to the exclusive jurisdiction of the Commonwealth of Kentucky for this purpose. The parties agree that they have been represented by counsel during the negotiation and execution of this Agreement, and accordingly each party waives the application of any law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party responsible for the drafting thereof.

6.8 Effective Date. The terms and conditions of this Agreement shall be effective as of the Date of Hire.

6.9. Tax Compliance.

(a) The Company may withhold from any amounts payable hereunder any amounts required to be withheld under federal, state or local law and any other deductions authorized by Employee. The Company and the Employee agree that they will execute any and all amendments to this Agreement as they mutually agree in good faith may be necessary to ensure compliance with the provisions of Section 409A (together with any implementing regulations, "Section 409A") of the Code while preserving insofar as possible the economic intent of the respective provisions, so that Employee will not be subject to any tax (including interest and penalties) under Section 409A.

(b) For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(c) With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, the Employee, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(d) Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" as determined pursuant to Section 409A as of the date of Employee's "separation from service" as defined in Treasury Regulation Section 1.409A-1(h) (or any successor regulation) and if any payments or entitlements provided for in this Agreement constitute a "deferral of compensation" within the meaning of Section 409A and cannot be paid or provided in the manner provided herein without subjecting Employee to additional tax, interest or penalties under Section 409A, then any such payment or entitlement which is payable during the first six months following Employee's "separation from service" shall be paid or provided to Employee in a cash lump-sum on the first business day of the seventh calendar month immediately following the month in which Employee's "separation from service" occurs or, if earlier, upon the Employee's death. In addition, any payments or benefits due hereunder upon a termination of Employee's employment which are a "deferral of compensation" within the meaning of Section 409A shall only be payable or provided to Employee (or Employee's estate) upon a "separation from service" as defined in Section 409A. Finally, for the purposes of this Agreement, amounts payable under Section 3.2 shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 – A-6.

(e) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (for example, "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may Employee, directly or indirectly, designate the calendar year of any payment to be made under this Agreement, to the extent such payment is subject to Code Section 409A.

(f) The Company makes no representation or warranty and shall have no liability to Employee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A but do not satisfy an exemption from, or the conditions of, Code Section 409A.

6.10 Clawback Policy. Employee acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all performance bonuses awarded pursuant to Section 2.2 and all equity awards pursuant to Section 2.3 will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to Employee. The Employee agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any bonuses paid under this Agreement or awards or amounts paid under the Company's Amended and Restated 2013 Equity Incentive Plan ("EIP") and that are subject to clawback pursuant to the Clawback Policy or any other such clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any bonuses paid under this Agreement or any equity awards or amounts paid under the EIP from the Employee's accounts, or pending or future compensation or equity awards.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR SEALY INTERNATIONAL, INC.

/s/ Carmen Dabiero

By: Carmen Dabiero

Title: Senior Vice President, Human Resources

EMPLOYEE:

/s/ H. Clifford Buster, III

By: H. Clifford Buster, III

WITNESSED BY:

/s/ William H. Dorton

By: William H. Dorton

Title: Director, Corporate and Securities Counsel

Date: September 5, 2017

Exhibits:

Exhibit A	Competitive Enterprises of the Company and its Affiliates
Exhibit B	Restricted Stock Unit Award Agreement
Exhibit C	2017 Performance Restricted Stock Unit Award Agreement

[Signature Page to Employment and Non-Competition Agreement]

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella
Flex Group of Companies

Foamex
Forty Winks
Furniture Village
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature's Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic
Reverie
Rosen
Rowe

Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.
2013 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award Agreement

H. Clifford Buster, III

This Restricted Stock Unit Award Agreement (this “Agreement”), dated as of September 5, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Recipient”).

1. Award of Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “Plan”), the Company grants the Recipient an award (the “Award”) for _____ restricted stock units (“Restricted Stock Units”), each representing the right to a share of the common stock, par value \$0.01 per share (the “Common Stock”), of the Company (the “Stock”) on and subject to the terms and conditions of this Agreement. This Award is granted as of September 5, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

2. Rights of Restricted Stock Units. If the Company declares and pays a dividend or other distribution with respect to the outstanding Common Stock (collectively “Stock Payments”) at or before the issuance of the Stock to the Recipient pursuant to Section 4(g), then the Company shall pay to the Recipient, at the time it delivers the Stock pursuant to Section 4(g) (the “Delivered Shares”), the Stock Payments that would have been paid on the Delivered Shares had they been outstanding at the time the Stock Payments were made. In no event will any Stock Payment be paid to the Recipient prior to delivery of Delivered Shares, and if the Restricted Stock Units do not vest for any reason then no Stock Payments will ever be paid with respect thereto and all rights thereto will be forfeited. Except for the contingent rights described in the preceding sentence, unless and until the vesting conditions of the Award have been satisfied and the Recipient has received the shares of Stock in accordance with the terms and conditions described herein, the Recipient shall have none of the attributes of ownership with respect to such shares of Stock.

3. Vesting Period and Rights; Taxes; and Filings.

(a) Vesting Period and Rights. The Award will vest in four equal installments on the first four anniversaries of the Grant Date (each “Vesting Date”), unless the Award terminates or vests earlier in accordance with paragraph (c) below or Section 4 or 5 hereof. Subject to the provisions of Sections 4 and 5 below, any vesting is subject to the Recipient continuing to be employed by the Company or an Affiliate of the Company on the applicable Vesting Date. Any Restricted Stock Units that have been vested as described above are referred to herein as “Vested RSUs”.

(b) Taxes. The Recipient is required to provide sufficient funds to pay all withholding taxes. Pursuant to the Plan, the Company shall have the right to require the Recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to the Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on the Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Recipient. However, in such cases Recipient may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the shares of Stock to be issued under the Award to satisfy the Recipient's tax obligations. The Recipient may only elect to have shares of Stock withheld having a Market Value on the date the tax is to be determined equal to at least the minimum statutory total withholding taxes arising upon the vesting of the Award or such higher amount approved by the Committee. If the Recipient has not submitted an election on or before the thirtieth (30) day prior to a Vesting Date, Recipient shall be deemed to have elected to have shares withheld from the shares of Stock to be issued under the Award to satisfy the Recipient's tax obligation in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Recipient, and shall be subject to any restrictions or limitations that the Committee deems appropriate. In addition, if shares of Stock are withheld as provided above, in lieu of issuing a fractional share of Stock as a result of such withholding the Company will pay cash to the Recipient in an amount equal to the Market Value of such fractional share.

(c) Performance Condition for Vesting. Notwithstanding anything in this Agreement to the contrary, if the Company does not achieve positive Profits for 2018, then all Restricted Stock Units (whether or not Vested RSUs) shall terminate immediately and be forfeited. The calculation of Profits is described in Appendix B hereto.

(d) Filings. The Recipient is responsible for any filings required under Section 16 of the Securities Exchange Act of 1934 and the rules thereunder.

4. Termination of Employment. If the Recipient's employment with the Company or an Affiliate of the Company terminates prior to the fourth anniversary of the Grant Date, including because the Recipient's employer ceases to be an Affiliate, the right to the Restricted Stock Units and the Stock shall be as follows:

(a) Death. If the Recipient dies, the Restricted Stock Units granted hereunder will vest immediately and the person or persons to whom the Recipient's rights shall pass by will or the laws of descent and distribution shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(b) Long-Term Disability. If the Company or an Affiliate of the Company terminates the Recipient's employment as a result of long-term disability (within the meaning

of Section 409A of the Code), the Restricted Stock Units granted hereunder will vest immediately and Recipient shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(c) By the Company For Cause or By the Recipient Without Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate For Cause or if the Recipient resigns or otherwise terminates his employment without Good Reason, including by any Retirement that is not an Approved Retirement or the Recipient's voluntary departure, the Recipient's right to such Restricted Stock Units and the Stock granted hereunder shall be forfeited, no Stock shall be issued and the Restricted Stock Units shall be cancelled. The terms "For Cause", "Good Reason", "Retirement" and "Approved Retirement" are defined below.

(d) By the Company Other Than For Cause or By the Recipient for Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate other than For Cause, by his resignation for Good Reason, or due to Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control), then subject to meeting the performance test in Section 3(c), (i) if the termination occurs prior to the first Vesting Date, the Recipient shall be entitled to receive a pro rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefore, and (ii) if the termination occurs on or after the first Vesting Date, the Recipient shall be entitled to receive all the Restricted Stock Units, as and when they become vested on the applicable Vesting Date. For purposes of clause (i) of the preceding sentence, "pro rata portion" means the number of Restricted Stock Units granted multiplied by the number of full calendar months that elapsed from the Grant Date to the date of termination, divided by 12. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and the Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from the Recipient in a form approved by the Compensation Committee (the "Committee") of the Board of Directors ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement.

(e) Approved Retirement. In the event of the Recipient's Approved Retirement, the Committee may at its discretion consent to the continued vesting of a pro-rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefor. For this purpose, "pro-rata portion" means (i) the number of Restricted Stock Units granted multiplied by the actual number of full calendar months that elapsed from the Grant Date to the date of such Approved Retirement and then divided by 48 less (ii) the number of Restricted Stock Units already vested. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver from the Recipient (and said Release and Waiver shall

have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement. If the Committee shall for any reason decline to consent to continued vesting on the Recipient's Approved Retirement, then the provisions of subsection (c) above shall instead apply.

(f) Definitions. As used in this Agreement:

(i) "Change of Control" shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) "Employee", "employment", "termination of employment" and "cease to be employed," and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee, consultant or director.

(iii) "Employment Agreement" shall mean the Employment and Non-Competition Agreement, dated as of September 5, 2017, between the Company and Employee, as amended and in effect from time to time.

(iv) "For Cause" shall have the meaning assigned to such term in the Employment Agreement;

(v) "Good Reason" shall have the meaning assigned to such term in the Employment Agreement; and

(vi) "Approved Retirement" shall mean any retirement of the Recipient that the Committee determines in its sole discretion shall be treated as an "Approved Retirement" for purposes of this Agreement.

(g) Payment. In all cases, payment (i.e., issuance of the Stock and payment of any applicable Stock Payments as provided in Section 2) with respect to any Vested RSUs shall be made promptly and, in any event, within twenty (20) days following the later of (x) the applicable Vesting Date or the date of any accelerated vesting as described in Section 4(a), Section 4(b) or Section 4(d) above and (y) the determination of whether the performance goal in Section 3(c) has been met. For this purpose, Restricted Stock Units continuing to vest on account of (i) a termination of employment by the Company or its Affiliates other than For Cause, (ii) Recipient's resignation for Good Reason, (iii) Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control) or (iv) an Approved Retirement, shall continue to vest as provided above only if the Company has received the required Release and Waiver, but delivery of the Stock and payment of any applicable Stock Payments as provided in Section 2 on or after the next applicable Vesting Date pursuant to this paragraph (g) shall

not obviate the need to comply with the covenants contained in Section 10 until the Covenant Termination Date in order to retain the Stock then delivered.

5. Change of Control Provisions. Pursuant to the Change of Control provisions of Section 9 of the Plan and notwithstanding anything herein to the contrary if a Change of Control occurs, this Agreement shall remain in full force and effect in accordance with its terms subject to the following. In the event of such Change of Control:

(a) if the Recipient's employment is terminated by the Company or an Affiliate of the Company other than For Cause or if the Recipient resigns for Good Reason within twelve (12) months after the occurrence of a Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of such termination of employment; and

(b) if the Restricted Stock Units are not assumed, converted or replaced by a successor organization following such Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of the Change of Control.

(c) The Company (or any successor organization) may require the Recipient to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Other Provisions.

(a) This Award of Restricted Stock Units does not give the Recipient any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or its Affiliates to terminate the Recipient's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any shares of Stock due to the Recipient upon the Vesting Date (or, if vesting of the Restricted Stock Units is accelerated pursuant to Section 4 or 5, such earlier date) with respect to vested Restricted Stock Units which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such shares. Acceptance of this Award constitutes the Recipient's agreement that the shares of Stock subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Recipient in violation of any applicable securities laws or regulations.

(c) The Award, the Restricted Stock Units and entitlement to the Stock are subject to this Agreement and Recipient's acceptance hereof shall constitute the Recipient's agreement to any administrative regulations of the Committee of the Board. In the event of

any inconsistency between this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

(d) All decisions of the Committee upon any questions arising under the Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Restricted Stock Units made by the Committee pursuant to the authority granted under Section 8.4(d) of the Plan.

(e) Except as provided in Section 6.4 of the Plan, no right hereunder related to the Award or these Restricted Stock Units and no rights hereunder to the underlying Stock shall be transferable (except by will or the laws of descent and distribution) until such time, if ever, that the Stock is earned and delivered.

7. Incorporation of Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the Plan, including but not limited to Section 8 of the Plan, "Adjustment Provisions", and the limitations on the Company's obligation to deliver Stock upon vesting set forth in Section 10 of the Plan, "Settlement of Awards". Capitalized terms used but not defined herein shall have the meaning assigned under the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the provisions of the Plan shall control.

8. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Recipient. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

9. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award, including upon the issuance of the Stock or upon the Recipient's sale or other disposition of the Stock. The Recipient should rely on his own tax advisors for such advice. Notwithstanding the foregoing, the Recipient and the Company hereby acknowledge that both the Recipient and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the Restricted Stock Units or the Stock by the Recipient pursuant to this Agreement. The Recipient hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Recipient bears the entire risk

of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

10. Certain Remedies.

(a) If at any time prior to the later of (y) the last day of the two (2) year period after termination of the Recipient's employment with the Company and its Affiliates and (z) the last Vesting Date (the later of such days being the "Covenant Termination Date"), any of the following occur:

(i) the Recipient unreasonably refuses to comply with lawful requests for cooperation made by the Company, its board of directors, or its Affiliates;

(ii) the Recipient accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 10(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 10(d)), or the Recipient otherwise engages in competition with the Company or its Affiliates;

(iii) the Recipient acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Recipient's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;

(iv) the Recipient fails to protect and safeguard while in his possession or control, or surrender to the Company upon termination of the Recipient's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Recipient;

(v) the Recipient solicits or encourages any person or enterprise with which the Recipient has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;

(vi) the Recipient takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their respective directors, officers, agents, or employees, or the Recipient takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

(vii) the Recipient breaches any confidentiality obligations the Recipient has to the Company or an Affiliate, the Recipient fails to comply with the policies

and procedures of the Company or its Affiliates for protecting confidential information, the Recipient uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Recipient discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Recipient entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement or the Plan;

(2) any Stock acquired and held by the Recipient pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Recipient from the sale of Stock acquired through the Award during the Applicable Period or realized from the receipt of Stock Payments pursuant to Section 2 shall be paid by the Recipient to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Recipient’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix A hereto, which may be amended by the Company from time to time upon notice to the Recipient. At any time the Recipient may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Recipient about the enterprise, and the determination will be valid for a period of ninety (90) days from the date of determination.

(d) The term “Significant Retailer” means those retailers identified in Appendix A hereto under the heading “RETAILERS.” The Recipient acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Recipient because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if he worked with a Significant Retailer in any of the capacities described above.

11. Right of Set Off. By executing this Agreement, the Recipient consents to a deduction from any amounts the Company or any Affiliate owes the Recipient from time to time, to the extent of the amounts the Recipient owes the Company under Section 10 above, provided that this set-off right may not be applied against wages, salary or other amounts payable

to the Recipient to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Recipient owes the Company, calculated as set forth above, the Recipient agrees to pay immediately the unpaid balance to the Company upon the Company's demand.

12. Nature of Remedies.

(a) The remedies set forth in Sections 10 and 11 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Stock acquired upon vesting of this Award referring to the repurchase right set forth in Section 10(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 10(a) has occurred or is reasonably likely to occur.

13. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

RECIPIENT

Recipient signature

H. Clifford Buster, III

Name of Recipient

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex

Forty Winks

Furniture Village

France Bed

Future Foam

Harrisons

Harvey Norman Group

Hastens

Helix Sleep

Hilding Anders Group

Hyundai Retail Group

Hypnos

IBC

Jysk Group

KayMed

King Koil

Kingsdown

Koala

Lady Americana

Land and Sky

Leesa Sleep

Leggett & Platt

Lo Monaco

Lotte Retail Group

Luna

Lutz Group

Magniflex

Metzler

Myers

Nature's Sleep (GhostBed)

Optimo

Ortobom

Per Dormire

Purple, Inc.

Natura

Natures Rest

Park Place

Permaflex

Pikolin Group

Recticel Group

Relyon

Restonic

Reverie

Rosen

Rowe
Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

**PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARD**

(a) *Target Based on Positive Profits.* 100% of the Restricted Stock Units will be forfeited if the Company does not achieve positive Profits (i.e. greater than zero) for the year ended December 31, 2018. Any Restricted Stock Units not forfeited will remain subject to the vesting provisions of Section 3 and the provisions of Section 4 of the Agreement.

(b) *Definitions and Method of Calculating Performance Metrics.* Whether the Performance Metric has been met shall be determined pursuant to the following provisions and rules:

As used in this Appendix B:

Profits: means, for 2018, the Company's consolidated income before income taxes for 2018, determined in accordance with generally accepted accounting principles and derived from the Company's audited consolidated financial statements for 2018 as included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission, in each case subject to adjustment as set forth in this paragraph (b).

Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to the targets set forth in paragraph (a) above to exclude the effects of acquisitions or divestitures of businesses, or asset acquisitions or dispositions outside the ordinary course of business (including costs to restructure or integrate the newly acquired business or assets); labor union actions; effects of changes in tax laws; effects of changes in accounting principles; costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or a merger, consolidation, acquisition of property or shares, separation, spin off, reorganization, stock rights offering, liquidation, or similar event affecting the Company or any of its Subsidiaries.

**TEMPUR SEALY INTERNATIONAL, INC.
AMENDED AND RESTATED 2013 EQUITY INCENTIVE PLAN
LONG-TERM INCENTIVE PLAN**

**2017 Performance Restricted Stock Unit Award Agreement
H. Clifford Buster, III**

This 2017 Performance Restricted Stock Unit Award Agreement (this “Agreement”), dated as of September 5, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Grantee”).

Grantee: H. Clifford Buster, III

Number of Target Shares
in Award: 100,000

Date of Award: September 5, 2017

Designated Periods: Any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”).
Any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

- **Award of Performance Restricted Stock Units.** Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “2013 EIP”) and the Company’s 2013 Long-Term Incentive Plan as amended and restated in connection with the amendment and restatement of the 2013 EIP (the “LTI Plan”), the Company grants the Grantee an award (the “Award”) for 100,000 performance restricted stock units (the “PRSUs”), each constituting the right on the terms and conditions set forth herein to a share of the Company’s common stock, par value \$0.01 per share (the “Target Shares”). This Award is granted as of September 5, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.
- **Rights of the PRSUs and Target Shares.** The Grantee will receive no dividend equivalent payments on the PRSUs or with respect to the Target Shares. Unless and until a Final Award has been determined and the Grantee has received Target Shares in accordance with the terms and conditions described herein, the Grantee shall have none of the attributes of ownership with respect to any Target Shares.

- **Determination of Final Award**

o The Target Shares ultimately issued by the Company pursuant to the Award shall be subject to the Company's achievement ("Performance") of the Performance Metrics for the Award and compliance with the provisions and rules set forth on Appendix A attached hereto (the "Performance Metrics") and incorporated herein by this reference. Any determination that Target Shares have been earned with respect to the First Designated Period or the Second Designated Period as described below is sometimes referred to as the "Final Award" with respect to such Designated Period, and the Target Shares to be issued with respect to such Designated Period are sometimes referred to as the "Shares".

o Within 50 days after the end of each Four Quarter Period during the First Designated Period, the Compensation Committee of the Board of Directors (the "Committee") shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics is referred to as an "Achievement Confirmation"). As provided in the LTI Plan, by March 1, 2020, the Committee shall determine and certify in writing (y) whether the Company achieved the Minimum Performance Metrics for the First Designated Period and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the First Designated Period how much of the PRSUs have vested (between 66% and 100% based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the "First Determination Date"). Not later than March 15, 2020, if the Company achieved the Minimum Performance Metrics for the First Designated Period, subject to Section 4 below the Company shall issue the applicable number of the Target Shares to Grantee, subject to Section 6 of this Agreement with respect to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the "First Settlement Date"). As provided in Appendix A, if the Company achieves at least the Minimum Performance Metrics for the First Designated Period and accordingly issues Target Shares as described above, the remaining PRSUs that were not earned will no longer be issuable pursuant to the Performance Metrics, but will be subject to potential conversion into RSUs pursuant to Section 5.

o If the Company achieves the Minimum Performance Metrics for the First Designated Period, then this paragraph (c) does not apply. If the Company does not achieve the Minimum Performance Metrics for the First Designated Period, then any right to 1/2 of the Target Shares (50,000 Target Shares) based on achievement of the Performance Metrics will terminate (but these Target Shares will remain subject to conversion into PRSUs pursuant to Section 5 below, with these PRSUs, and any PRSUs no longer subject to the Performance Metrics but potentially convertible into RSUs as referred to in Section 3(b) above collectively referred to as "Deferred CofC PRSUs"), but the Grantee will still be entitled to earn up to 1/2 of the Target Shares (50,000 Target Shares) based on achievement of the Performance Metrics for the Second Designated Period. Within 50 days after the end of each Four Quarter Period during the Second Designated Period, the Committee shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of

Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics pursuant to this paragraph (c) is also referred to as an “Achievement Confirmation”) . As provided in the LTI Plan, by March 1, 2021 the Committee shall determine and certify in writing (y) whether the Minimum Performance Metrics for the Second Designated Period have been achieved and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the Second Designated Period how much of the remaining PRSUs have vested (between 33% and 50% of the original Target Shares based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the “Second Determination Date” and together with the First Determination as “Determination Dates”). No later than March 15, 2021, if the Company did not meet the Minimum Performance Metrics for the First Designated Period but met the Minimum Performance Metrics for the Second Designated Period, subject to Section 4 below the Company shall issue the applicable number of Shares to Grantee, subject to Section 6 of this Agreement relating to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the “Second Settlement Date” and together with the First Settlement Date as “Settlement Dates”). If the Company does not achieve the Minimum Performance Metrics for the Second Designated Period then all the remaining Target Shares will be forfeited, and this Agreement will terminate.

4. Termination of Employment.

(a) If the Grantee’s employment with the Company and its Affiliates terminates on or before December 31, 2019 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the First Designated Period and Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the First Designated Period, the Grantee’s employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee’s employment due to the Grantee’s long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered as described above. In addition, if the Grantee’s employment with the Company or its Affiliates terminates after December 31, 2019 and on or before December 31, 2020 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the Second Designated Period, the Grantee’s employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee’s employment due to the Grantee’s long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares

payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered in the Second Designated Period as described above. In addition, notwithstanding anything herein to the contrary, if the Grantee's employment terminates on or prior to a Settlement Date (other than due to death), no Shares shall be issued and all of the Grantee's rights to any Final Award and any Target Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from Grantee in a form required by the Company ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the Settlement Date (or, if earlier, the deadline established in the form of release delivered by the Company to the Grantee for execution); (ii) the Grantee has ensured that the Company has a valid address for Grantee on file as of the end of the Settlement Date; and (iii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement. In addition, notwithstanding the foregoing, if after the announcement of the signing of a definitive agreement for a Transaction that will also result in a Change of Control the Grantee dies or the Grantee's employment is terminated due to long-term disability (within the meaning of Section 409A of the Code), the PRSUs that would otherwise have converted into RSUs pursuant to Section 5 had the Grantee remained employed at the date the Change of Control had occurred will, notwithstanding the preceding provisions of this Section 4, convert into RSUs on the date the Change of Control actually occurs.

(b) Definitions. For the purposes of this Agreement:

(i) "Change of Control" shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) "Employee", "employment", "termination of employment" and "cease to be employed", and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee or as a consultant or a director; provided that any transition from an employment relationship to a consulting or board position is approved by the Committee;

(iii) "Employment Agreement" shall mean the Employment and Non-Competition Agreement, dated as of September 5, 2017, between Grantee and the Company, as amended and in effect from time to time;

(iv) "For Cause" shall have the meaning given such term in the Employment Agreement;

(v) "Good Reason" shall have the meaning given such term in the Employment Agreement.

(vi) “Retirement” shall mean any retirement of the Grantee that the Committee determines in its sole discretion shall be treated as an “Approved Retirement” for purposes of this Agreement.

5. Change of Control Provisions. Pursuant to, and in lieu of the provisions in, Section 9 of the 2013 EIP and subject to paragraphs (b) and (c) below, immediately upon the occurrence of a Change of Control, both the PRSUs subject to this Award that have not already become payable pursuant to Section 3(b) or Section 3(c) as a result of the applicable Determination Date (“Outstanding Unvested PRSUs”) and any Deferred CofC PRSUs shall convert to time-based vesting restricted stock units (“RSUs”, with the shares of the Company’s common stock issuable thereunder referred to as “RSU Shares”), as follows:

(a) The Grantee shall be entitled to receive RSUs equal to the number of Outstanding Unvested PRSUs and any Deferred CofC PRSUs in lieu of any claim to a Final Award. Any RSUs shall be subject to the terms of Section 8.4(c) of the 2013 EIP in the event of any Change of Control that is also a Transaction subject to Section 8.4(c) of the 2013 EIP.

(b) If the Change of Control occurs on or after December 31, 2019 but before the First Determination Date, (i) if the Minimum Performance Metrics for the First Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(b) and any Outstanding Unvested PRSUs that did not become payable shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the First Designated Period were not met, then all of such Outstanding Unvested PRSUs shall convert into RSUs and such RSUs will be issued.

(c) If the Change of Control occurs after December 31, 2020 but before the Second Determination Date, (i) if the Minimum Performance Metrics for the Second Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(c) and no Outstanding Unvested PRSUs shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the Second Designated Period were not met, then all of such Outstanding Unvested PRSUs shall terminate and be forfeited as provided in Section 3(c) and no RSUs will be issued.

(d) None of the RSUs issued to Grantee in connection with a Change of Control pursuant to this Section 5 shall be immediately vested as of the date of such Change of Control (unless the Change of Control occurs on December 31, 2020 or as otherwise provided below). All of such RSUs shall vest on December 31, 2020 (for purposes of this Section 5, the “Vesting Date”), regardless of whether the Company has then achieved any of the Performance Metrics if the Grantee’s employment with the Company and its Affiliates continues through the period commencing on the date of the Change of Control and ending on the Vesting Date (the “Vesting Period”).

(e) If the Grantee’s employment with the Company and its Affiliates terminates during the Vesting Period, the right to the RSUs shall be as follows:

- § If the Grantee's employment with the Company or its Affiliates is terminated by the Company For Cause or the Grantee resigns without Good Reason, including by Retirement that is not an Approved Retirement or the Grantee's voluntary departure, the RSUs will terminate immediately, no RSU Shares shall be issued to Grantee and all of the Grantee's rights to the RSUs and the RSU Shares hereunder shall be forfeited.
- § If the Grantee's employment with the Company or its Affiliates is terminated by the Company or an Affiliate other than For Cause, by the Grantee's resignation for Good Reason or by reason of Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control, then all of the RSUs shall vest immediately, and the Grantee shall be entitled to receive all of the RSU Shares the Grantee would have been entitled to receive on the Vesting Date with respect thereto.
- § If the Grantee dies or the Company or an Affiliate of the Company terminates Grantee's employment due to Grantee's long-term disability (within the meaning of Section 409A of the Code), then all of the RSUs shall vest and the Grantee shall be entitled to receive all of the RSU Shares with respect thereto. These RSU Shares will be issued within sixty (60) days after the date of death or termination of employment.
- § In the event of Grantee's Approved Retirement, then the number of RSUs that will vest and RSU Shares issued in connection therewith shall be pro-rated downward based on the actual number of calendar days that elapsed from the Grant Date to the date of such Approved Retirement, versus the total number of calendar days from the Grant Date to December 31, 2020; provided, however, that no RSU Shares shall be issued and all of the Grantee's rights to the RSUs and any RSU Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the 50th day following Grantee's termination of employment and (ii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement.
- § In the event that, immediately following a Change of Control, a successor organization does not convert, replace or assume the RSUs, all of the RSUs shall immediately vest and the Grantee shall be entitled to receive all of the RSU Shares represented thereby.

(f) In all cases, any issuance of RSU Shares upon vesting of the RSUs in accordance with this Section 5 shall be made promptly and, in any event, within twenty (20) days following the date such RSUs shall become vested. For this purpose, RSUs vesting on account of (w) a termination by the Company other than For Cause, (x) resignation by the Grantee for Good Reason, (y) Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control or (z) an Approved Retirement, shall be treated as vesting on the Company's receipt of the required Release and Waiver but delivery of the RSU Shares at that time shall not obviate the need to comply with the covenants contained in Section 12 until the Covenant Termination Date (as defined in Section 12) in order to retain the RSU Shares then delivered.

(g) The Company (or any successor organization) may require the Grantee to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Settlement. The Final Award shall be settled by the issuance of Shares and not by payment of any cash, notwithstanding any provision of the 2013 EIP. However, the Company at its option in lieu of issuing fractional shares of stock on settlement may round up to the next whole share of stock.

7. Withholding. Pursuant to the 2013 EIP, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to any Final Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on such Final Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee. However, in such cases the Grantee may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the Shares or RSU Shares to be issued under this Award to satisfy the Grantee's tax obligations. The Grantee may only elect to have Shares or RSU Shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total withholding taxes arising upon the vesting of any Shares or RSU Shares or such higher amount approved by the Committee. If the Grantee has not submitted an election on or before the thirtieth (30) day prior to the applicable Determination Date, the Grantee shall be deemed to have elected to have shares withheld from the Shares or RSU Shares to be issued under this award to satisfy the Grantee's tax obligation, in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If the Company withholds a portion of the Shares as provided above and this would result in the issuance of a fractional share of stock, in lieu of issuing a fractional share the Company will pay the Grantee cash in an amount equal to the Market Value of the fractional share to be issued.

8. Other Provisions.

(a) This Agreement does not give the Grantee any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or any of its Affiliates to terminate the Grantee's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any Shares or RSU Shares due to the Grantee upon the applicable Settlement Date with respect to any Final Award which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such Shares or RSU Shares. Acceptance of this Award constitutes the Grantee's agreement that the Shares or RSU Shares subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Grantee in violation of any applicable securities laws or regulations.

(c) The Final Award and entitlement to the Shares or RSU Shares are subject to this Agreement and Grantee's acceptance hereof shall constitute the Grantee's agreement to any administrative regulations of the Committee.

(d) All decisions of the Committee upon any questions arising under the 2013 EIP and LTI Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Award made by the Committee pursuant to the authority granted under Section 8 of the 2013 EIP.

(e) No rights hereunder related to this Award or the Final Award shall be transferable, voluntarily or otherwise and no rights hereunder related to the underlying Target Shares or RSU Shares shall be transferable until such time, if ever, that the Shares or RSU Shares are earned and delivered.

9. Incorporation of 2013 EIP and LTI Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the 2013 EIP and the LTI Plan, including without limitation, the provisions of Section 7.7(e) and Section 8 of the 2013 EIP. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP and the LTI Plan. In the event of any conflict between the terms of this Agreement and the terms of the 2013 EIP and LTI Plan, the provisions of the 2013 EIP and LTI Plan shall control. For purposes of Section 4.1 of the 2013 EIP, any Deferred CofC PRSUs and any other Awards that would still be converted into RSUs on a Change of Control will be considered as outstanding, and will be considered forfeited if a Change of Control has not occurred on or before December 31, 2020.

10. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Grantee. This

Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

11. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award or the Final Award, including upon the issuance of the Shares or RSU Shares or upon the Grantee's sale or other disposition of the Shares or RSU Shares. The Grantee should rely on the Grantee's own tax advisors for such advice. Notwithstanding the foregoing, the Grantee and the Company hereby acknowledge that both the Grantee and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the PRSUs or the Shares by the Grantee pursuant to this Agreement. The Grantee hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Grantee bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

12. Certain Remedies.

(a) If at any time prior to the last day of the two (2) year period after termination of the Grantee's employment with the Company and its Affiliates (the "Covenant Termination Date"), any of the following occur:

(i) the Grantee unreasonably refuses to comply with lawful requests for cooperation made by the Company, its Board, or its Affiliates;

§ the Grantee accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 12(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 12(d)), or the Grantee otherwise engages in competition with the Company or its Affiliates;

§ the Grantee acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Grantee's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;

- § the Grantee fails to protect and safeguard while in the Grantee's possession or control, or surrender to the Company upon termination of the Grantee's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Grantee;
- § the Grantee solicits or encourages any person or enterprise with which the Grantee has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;
- § the Grantee takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their respective directors, officers, agents, or employees, or the Grantee takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or
- § the Grantee breaches any confidentiality obligations the Grantee has to the Company or an Affiliate, the Grantee fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Grantee uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Grantee discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

- this Award shall terminate and be cancelled effective as of the date on which the Grantee entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement, the 2013 EIP or the LTI Plan;

- any Shares or RSU Shares acquired and held by the Grantee pursuant to the Award during the Applicable Period (as defined below)

may be repurchased by the Company at a purchase price of \$0.01 per share; and

- any after-tax proceeds realized by the Grantee from the sale of Shares or RSU Shares acquired through the Award during the Applicable Period shall be paid by the Grantee to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Grantee’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix B hereto, which may be amended by the Company from time to time upon notice to the Grantee. At any time the Grantee may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Grantee about the enterprise, and the determination will be valid for a period of ninety (90) days commencing on the date of determination.

o The term “Significant Retailer” means those retailers identified in Appendix B under the heading “RETAILERS.” The Grantee acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Grantee because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if the Grantee worked with a Significant Retailer in any of the capacities described above.

13. Right of Set Off. By executing this Agreement, the Grantee consents to a deduction from any amounts the Company or any Affiliate owes the Grantee from time to time, to the extent of the amounts the Grantee owes the Company under Section 12 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Grantee to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Grantee owes the Company, calculated as set forth above, the Grantee agrees to pay immediately the unpaid balance to the Company upon the Company’s demand.

14. Nature of Remedies.

(a) The remedies set forth in Sections 12 and 13 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment,

confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Shares acquired upon vesting of this Award referring to the repurchase right set forth in Section 12(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 12(a) has occurred or is reasonably likely to occur.

15. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this 2017 Performance Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By:

Name: Scott Thompson

Title: Chairman of the Board, President and Chief Executive Officer

GRANTEE

Grantee signature

H. Clifford Buster, III

Name of Grantee

[Signature Page to 2017 Performance Restricted Stock Unit Award Agreement]

2017 PRSU

**PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARDS**

A. Performance Periods. The Performance Periods are as follows:

- any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”); and
- any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

Performance Metrics. Subject to Section 4 of the Agreement, all or part of the Target Shares shall vest based on the highest Adjusted EBITDA during any Four Quarter Period during the First Designated Period or Second Designated Period as described below. The Adjusted EBITDA must equal or exceed \$600 million for a Four Quarter Period for any Target Shares to vest (referred to as the “Minimum Performance Metrics”).

First Designated Period. If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the First Designated Period is: less than \$600 million, then no PRSUs would vest, but a portion may vest based on the Company’s performance in the Second Designated Period as described below; equal to \$600 million then 66% of the PRSUs will be vested and the right to earn the rest based on performance will terminate (but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement); equal to or greater than \$650 million then all of the PRSUs will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the right to earn the rest based on performance will terminate, but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement.

Second Designated Period. If any PRSUs vest as provided above as a result of the Company’s performance with respect to the First Designated Period, then the right to earn all the PRSUs that weren’t earned in the First Designated Period will terminate and the Second Designated Period will no longer be relevant (but these unvested RSUs may be converted into RSUs upon a Change of Control during the Second Designated Period as provided in Section 5 of the Agreement). However, if no PRSUs vested pursuant to the prior paragraph then 50% of the total PRSUs subject to the Agreement will no longer be subject to vesting based on performance (subject to conversion into RSUs as described above in the event of a Change of Control) and the remaining 50% of the PRSUs will remain available for vesting based on the Company’s

performance in the Second Designated Period (with such PRSUs carried over and available referred to as the “Second Period PRSUs”). If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the Second Designated Period is: less than \$600 million, then no PRSUs would vest; equal to \$600 million then 66% of the Second Period PRSUs (or 33% of the original Target Shares) will be vested and the rest will be forfeited; equal to or greater than \$650 million then 100% of the Second Period PRSUs (or 50% of the original Target Shares) will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the rest will be forfeited.

B. Definitions and Method of Calculating Performance Metrics. The Final Award for the applicable Designated Period shall be determined pursuant to the following provisions and rules:

As used in this Appendix A:

“Adjusted EBITDA” means, for the Designated Period, the Company’s “Consolidated EBITDA” for such period determined in accordance with the New Credit Facility.

“New Credit Facility” means the Credit Agreement, dated as of April 6, 2016, among the Company, certain of its subsidiaries and the lenders named therein, as in effect on the Grant Date.

Method of Calculation. Adjusted EBITDA shall be determined by the Committee based on the definitions set forth above and in accordance with U.S. generally accepted accounting principles (“GAAP”)(to the extent relevant) and derived from the Company’s consolidated audited financial statements for the relevant fiscal year or period or for interim periods, consolidated unaudited financial statements included in the Company’s SEC filings, and in each case subject to adjustment as set forth in this Section B. However, GAAP for this purpose will be determined using the same definition of GAAP as in effect from time (including exclusions) used for the New Credit Facility (or any successor credit facility).

(iii) Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to eliminate the impact of the following items (whether or not they are adjustments from Consolidated EBITDA under the New Credit Facility):

- the effects of divestitures of businesses, or asset dispositions outside the ordinary course of business (in each case including related restructuring costs);
- labor union actions, and costs outside the ordinary course of business associated with multiemployer pension plans;
- costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or

- a separation, spin off, reorganization, liquidation, or similar corporate restructuring event affecting the Company or any of its subsidiaries and disclosed in the Company's filings with the Securities and Exchange Commission.

However, in connection with any acquisitions of businesses the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA for the acquired business. The Adjusted EBITDA adjustment will be in the same amount as the Adjusted EBITDA included in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board of Directors (the "Board") for its review and approval of the acquisition prior to signing the definitive agreement for the acquisition (the "Reviewed Forecast"). In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the acquisition.

In addition, in connection with any joint ventures, (i) to address the impact from changes resulting from changes in accounting for joint ventures (for example, consolidating a joint venture that was not previously consolidated) and changes in the level of ownership of an existing joint venture, the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA resulting from the changes in accounting and changes in level of ownership set forth in a forecast prepared by management and reviewed and approved by the Audit Committee of the Board.

In addition, in connection with any sales to or other acquisitions of assets by joint ventures from the Company or its subsidiaries the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased). The Adjusted EBITDA adjustment will be in the same amount as the increase in Adjusted EBITDA resulting from such transaction as set forth in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board for its review and approval of the transaction prior to signing the definitive agreement for the transaction. In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the transaction.

In addition, acquisitions by joint ventures from third parties and sales of assets by joint ventures to third parties or the Company and its subsidiaries will be addressed as provided in the first two paragraphs of this subparagraph B(iii).

This subsection B(iii) is not intended to constitute positive discretion and does not constitute positive discretion with respect to the determination of Adjusted EBITDA.

Competitive Enterprises For the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex

Englander
Eve
Falafella
Flex Group of Companies
Foamex
Forty Winks
Furniture Village
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature's Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic

Reverie
Rosen
Rowe
Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.
AMENDED AND RESTATED 2013 EQUITY INCENTIVE PLAN
LONG-TERM INCENTIVE PLAN

2017 Performance Restricted Stock Unit Award Agreement
H. Clifford Buster, III

This 2017 Performance Restricted Stock Unit Award Agreement (this “Agreement”), dated as of September 5, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Grantee”).

Grantee: H. Clifford Buster, III

Number of Target Shares
in Award: 100,000

Date of Award: September 5, 2017

Designated Periods: Any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”).
Any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

- **Award of Performance Restricted Stock Units.** Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “2013 EIP”) and the Company’s 2013 Long-Term Incentive Plan as amended and restated in connection with the amendment and restatement of the 2013 EIP (the “LTI Plan”), the Company grants the Grantee an award (the “Award”) for 100,000 performance restricted stock units (the “PRSUs”), each constituting the right on the terms and conditions set forth herein to a share of the Company’s common stock, par value \$0.01 per share (the “Target Shares”). This Award is granted as of September 5, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.
- **Rights of the PRSUs and Target Shares.** The Grantee will receive no dividend equivalent payments on the PRSUs or with respect to the Target Shares. Unless

and until a Final Award has been determined and the Grantee has received Target Shares in accordance with the terms and conditions described herein, the Grantee shall have none of the attributes of ownership with respect to any Target Shares.

- **Determination of Final Award**

- o The Target Shares ultimately issued by the Company pursuant to the Award shall be subject to the Company's achievement ("Performance") of the Performance Metrics for the Award and compliance with the provisions and rules set forth on Appendix A attached hereto (the "Performance Metrics") and incorporated herein by this reference. Any determination that Target Shares have been earned with respect to the First Designated Period or the Second Designated Period as described below is sometimes referred to as the "Final Award" with respect to such Designated Period, and the Target Shares to be issued with respect to such Designated Period are sometimes referred to as the "Shares".

- o Within 50 days after the end of each Four Quarter Period during the First Designated Period, the Compensation Committee of the Board of Directors (the "Committee") shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics is referred to as an "Achievement Confirmation"). As provided in the LTI Plan, by March 1, 2020, the Committee shall determine and certify in writing (y) whether the Company achieved the Minimum Performance Metrics for the First Designated Period and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the First Designated Period how much of the PRSUs have vested (between 66% and 100% based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the "First Determination Date"). Not later than March 15, 2020, if the Company achieved the Minimum Performance Metrics for the First Designated Period, subject to Section 4 below the Company shall issue the applicable number of the Target Shares to Grantee, subject to Section 6 of this Agreement with respect to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the "First Settlement Date"). As provided in Appendix A, if the Company achieves at least the Minimum Performance Metrics for the First Designated Period and accordingly issues Target Shares as described above, the remaining PRSUs that were not earned will no longer be issuable pursuant to the Performance Metrics, but will be subject to potential conversion into RSUs pursuant to Section 5.

- o If the Company achieves the Minimum Performance Metrics for the First Designated Period, then this paragraph (c) does not apply. If the Company does not achieve the Minimum

Performance Metrics for the First Designated Period, then any right to 1/2 of the Target Shares (50,000 Target Shares) based on achievement of the Performance Metrics will terminate (but these Target Shares will remain subject to conversion into PRSUs pursuant to Section 5 below, with these PRSUs, and any PRSUs no longer subject to the Performance Metrics but potentially convertible into RSUs as referred to in Section 3(b) above collectively referred to as “Deferred CofC PRSUs”), but the Grantee will still be entitled to earn up to 1/2 of the Target Shares (50,000 Target Shares) based on achievement of the Performance Metrics for the Second Designated Period. Within 50 days after the end of each Four Quarter Period during the Second Designated Period, the Committee shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics pursuant to this paragraph (c) is also referred to as an “Achievement Confirmation”) . As provided in the LTI Plan, by March 1, 2021 the Committee shall determine and certify in writing (y) whether the Minimum Performance Metrics for the Second Designated Period have been achieved and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the Second Designated Period how much of the remaining PRSUs have vested (between 33% and 50% of the original Target Shares based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the “Second Determination Date” and together with the First Determination as “Determination Dates”). No later than March 15, 2021, if the Company did not meet the Minimum Performance Metrics for the First Designated Period but met the Minimum Performance Metrics for the Second Designated Period, subject to Section 4 below the Company shall issue the applicable number of Shares to Grantee, subject to Section 6 of this Agreement relating to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the “Second Settlement Date” and together with the First Settlement Date as “Settlement Dates”). If the Company does not achieve the Minimum Performance Metrics for the Second Designated Period then all the remaining Target Shares will be forfeited, and this Agreement will terminate.

4. Termination of Employment.

(a) If the Grantee’s employment with the Company and its Affiliates terminates on or before December 31, 2019 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the First Designated Period and Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has

delivered at least one Achievement Confirmation with respect to the First Designated Period, the Grantee's employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee's employment due to the Grantee's long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered as described above. In addition, if the Grantee's employment with the Company or its Affiliates terminates after December 31, 2019 and on or before December 31, 2020 for any reason, including because the Grantee's employer ceases to be an Affiliate, the Grantee's rights to the Target Shares payable with respect to the Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee's rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the Second Designated Period, the Grantee's employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee's employment due to the Grantee's long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered in the Second Designated Period as described above. In addition, notwithstanding anything herein to the contrary, if the Grantee's employment terminates on or prior to a Settlement Date (other than due to death), no Shares shall be issued and all of the Grantee's rights to any Final Award and any Target Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from Grantee in a form required by the Company ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the Settlement Date (or, if earlier, the deadline established in the form of release delivered by the Company to the Grantee for execution); (ii) the Grantee has ensured that the Company has a valid address for Grantee on file as of the end of the Settlement Date; and (iii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement. In addition, notwithstanding the foregoing, if after the announcement of the signing of a definitive agreement for a Transaction that will also result in a Change of Control the Grantee dies or the Grantee's employment is terminated due to long-term disability (within the meaning of Section 409A of the Code), the PRSUs that would otherwise have converted into RSUs pursuant to Section 5 had the Grantee remained employed at the date the Change of Control had occurred will, notwithstanding the preceding provisions of this Section 4, convert into RSUs on the date the Change of Control actually occurs.

(b) Definitions. For the purposes of this Agreement:

(i) “Change of Control” shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) “Employee”, “employment”, “termination of employment” and “cease to be employed”, and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee or as a consultant or a director; provided that any transition from an employment relationship to a consulting or board position is approved by the Committee;

(iii) “Employment Agreement” shall mean the Employment and Non-Competition Agreement, dated as of September 5, 2017, between Grantee and the Company, as amended and in effect from time to time;

(iv) “For Cause” shall have the meaning given such term in the Employment Agreement;

(v) “Good Reason” shall have the meaning given such term in the Employment Agreement.

(vi) “Retirement” shall mean any retirement of the Grantee that the Committee determines in its sole discretion shall be treated as an “Approved Retirement” for purposes of this Agreement.

5. Change of Control Provisions. Pursuant to, and in lieu of the provisions in, Section 9 of the 2013 EIP and subject to paragraphs (b) and (c) below, immediately upon the occurrence of a Change of Control, both the PRSUs subject to this Award that have not already become payable pursuant to Section 3(b) or Section 3(c) as a result of the applicable Determination Date (“Outstanding Unvested PRSUs”) and any Deferred CofC PRSUs shall convert to time-based vesting restricted stock units (“RSUs”, with the shares of the Company’s common stock issuable thereunder referred to as “RSU Shares”), as follows:

(a) The Grantee shall be entitled to receive RSUs equal to the number of Outstanding Unvested PRSUs and any Deferred CofC PRSUs in lieu of any claim to a Final Award. Any RSUs shall be subject to the terms of Section 8.4(c) of the 2013 EIP in the event of any Change of Control that is also a Transaction subject to Section 8.4(c) of the 2013 EIP.

(b) If the Change of Control occurs on or after December 31, 2019 but before the First Determination Date, (i) if the Minimum Performance Metrics for the First Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(b) and any Outstanding Unvested PRSUs that did not become payable shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the First Designated Period were not met, then all of such Outstanding Unvested PRSUs shall convert into RSUs and such RSUs will be issued.

(c) If the Change of Control occurs after December 31, 2020 but before the Second Determination Date, (i) if the Minimum Performance Metrics for the Second Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(c) and no Outstanding Unvested PRSUs shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the Second Designated Period were not met, then all of such Outstanding Unvested PRSUs shall terminate and be forfeited as provided in Section 3(c) and no RSUs will be issued.

(d) None of the RSUs issued to Grantee in connection with a Change of Control pursuant to this Section 5 shall be immediately vested as of the date of such Change of Control (unless the Change of Control occurs on December 31, 2020 or as otherwise provided below). All of such RSUs shall vest on December 31, 2020 (for purposes of this Section 5, the “Vesting Date”), regardless of whether the Company has then achieved any of the Performance Metrics if the Grantee’s employment with the Company and its Affiliates continues through the period commencing on the date of the Change of Control and ending on the Vesting Date (the “Vesting Period”).

(e) If the Grantee’s employment with the Company and its Affiliates terminates during the Vesting Period, the right to the RSUs shall be as follows:

§ If the Grantee’s employment with the Company or its Affiliates is terminated by the Company For Cause or the Grantee resigns without Good Reason, including by Retirement that is not an Approved Retirement or the Grantee’s voluntary departure, the RSUs will terminate immediately, no RSU Shares shall be issued to Grantee and all of the Grantee’s rights to the RSUs and the RSU Shares hereunder shall be forfeited.

- § If the Grantee's employment with the Company or its Affiliates is terminated by the Company or an Affiliate other than For Cause, by the Grantee's resignation for Good Reason or by reason of Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control, then all of the RSUs shall vest immediately, and the Grantee shall be entitled to receive all of the RSU Shares the Grantee would have been entitled to receive on the Vesting Date with respect thereto.
- § If the Grantee dies or the Company or an Affiliate of the Company terminates Grantee's employment due to Grantee's long-term disability (within the meaning of Section 409A of the Code), then all of the RSUs shall vest and the Grantee shall be entitled to receive all of the RSU Shares with respect thereto. These RSU Shares will be issued within sixty (60) days after the date of death or termination of employment.
- § In the event of Grantee's Approved Retirement, then the number of RSUs that will vest and RSU Shares issued in connection therewith shall be pro-rated downward based on the actual number of calendar days that elapsed from the Grant Date to the date of such Approved Retirement, versus the total number of calendar days from the Grant Date to December 31, 2020; provided, however, that no RSU Shares shall be issued and all of the Grantee's rights to the RSUs and any RSU Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the 50th day following Grantee's termination of employment and (ii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement.
- § In the event that, immediately following a Change of Control, a successor organization does not convert, replace or assume the RSUs, all of the RSUs shall immediately vest and the Grantee shall be entitled to receive all of the RSU Shares represented thereby.

(f) In all cases, any issuance of RSU Shares upon vesting of the RSUs in accordance with this Section 5 shall be made promptly and, in any event, within twenty (20) days following the date such RSUs shall become vested. For this purpose, RSUs vesting on account of (w) a termination by the Company other than For Cause, (x) resignation by the Grantee for Good Reason, (y) Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control or (z) an Approved Retirement, shall be treated as vesting on the Company's receipt of the required Release and Waiver but delivery of the RSU Shares at that time shall not obviate the need to comply with the covenants contained in Section 12 until the Covenant Termination Date (as defined in Section 12) in order to retain the RSU Shares then delivered.

(g) The Company (or any successor organization) may require the Grantee to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Settlement. The Final Award shall be settled by the issuance of Shares and not by payment of any cash, notwithstanding any provision of the 2013 EIP. However, the Company at its option in lieu of issuing fractional shares of stock on settlement may round up to the next whole share of stock.

7. Withholding. Pursuant to the 2013 EIP, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to any Final Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on such Final Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee. However, in such cases the Grantee may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the Shares or RSU Shares to be issued under this Award to satisfy the Grantee's tax obligations. The Grantee may only elect to have Shares or RSU Shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total withholding taxes arising upon the vesting of any Shares or RSU Shares or such higher amount approved by the Committee. If the Grantee has not submitted an election on or before the thirtieth (30) day prior to the applicable Determination Date, the Grantee shall be deemed to have elected to have shares withheld from the Shares or RSU Shares to be issued

under this award to satisfy the Grantee's tax obligation, in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If the Company withholds a portion of the Shares as provided above and this would result in the issuance of a fractional share of stock, in lieu of issuing a fractional share the Company will pay the Grantee cash in an amount equal to the Market Value of the fractional share to be issued.

8. Other Provisions.

(a) This Agreement does not give the Grantee any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or any of its Affiliates to terminate the Grantee's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any Shares or RSU Shares due to the Grantee upon the applicable Settlement Date with respect to any Final Award which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such Shares or RSU Shares. Acceptance of this Award constitutes the Grantee's agreement that the Shares or RSU Shares subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Grantee in violation of any applicable securities laws or regulations.

(c) The Final Award and entitlement to the Shares or RSU Shares are subject to this Agreement and Grantee's acceptance hereof shall constitute the Grantee's agreement to any administrative regulations of the Committee.

(d) All decisions of the Committee upon any questions arising under the 2013 EIP and LTI Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Award made by the Committee pursuant to the authority granted under Section 8 of the 2013 EIP.

(e) No rights hereunder related to this Award or the Final Award shall be transferable, voluntarily or otherwise and no rights hereunder related to the underlying Target Shares or RSU Shares shall be transferable until such time, if ever, that the Shares or RSU Shares are earned and delivered.

9. Incorporation of 2013 EIP and LTI Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the 2013 EIP and the LTI Plan, including without limitation, the provisions of Section 7.7(e) and Section 8 of the 2013 EIP. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP and the LTI Plan. In the event of any conflict between the terms of this Agreement and the terms of the 2013 EIP and LTI Plan, the provisions of the 2013 EIP and LTI Plan shall control. For purposes of Section 4.1 of the 2013 EIP, any Deferred CofC PRSUs and any other Awards that would still be converted into RSUs on a Change of Control will be considered as outstanding, and will be considered forfeited if a Change of Control has not occurred on or before December 31, 2020.

10. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Grantee. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

11. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award or the Final Award, including upon the issuance of the Shares or RSU Shares or upon the Grantee's sale or other disposition of the Shares or RSU Shares. The Grantee should rely on the Grantee's own tax advisors for such advice. Notwithstanding the foregoing, the Grantee and the Company hereby acknowledge that both the Grantee and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the PRSUs or the Shares by the Grantee pursuant to this Agreement. The Grantee hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Grantee bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

12. Certain Remedies.

(a) If at any time prior to the last day of the two (2) year period after termination of the Grantee's employment with the Company and its Affiliates (the "Covenant Termination Date"), any of the following occur:

(i) the Grantee unreasonably refuses to comply with lawful requests for cooperation made by the Company, its Board, or its Affiliates;

- § the Grantee accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 12(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 12(d)), or the Grantee otherwise engages in competition with the Company or its Affiliates;
- § the Grantee acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Grantee's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;
- § the Grantee fails to protect and safeguard while in the Grantee's possession or control, or surrender to the Company upon termination of the Grantee's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Grantee;
- § the Grantee solicits or encourages any person or enterprise with which the Grantee has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;
- § the Grantee takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their

respective directors, officers, agents, or employees, or the Grantee takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

§ the Grantee breaches any confidentiality obligations the Grantee has to the Company or an Affiliate, the Grantee fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Grantee uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Grantee discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

- this Award shall terminate and be cancelled effective as of the date on which the Grantee entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement, the 2013 EIP or the LTI Plan;

- any Shares or RSU Shares acquired and held by the Grantee pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

- any after-tax proceeds realized by the Grantee from the sale of Shares or RSU Shares acquired through the Award during the Applicable Period shall be paid by the Grantee to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Grantee’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix B hereto, which may be amended by the Company from time to time upon notice to the Grantee. At any time the Grantee may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Grantee about the enterprise, and the determination will be valid for a period of ninety (90) days commencing on the date of determination.

o The term “Significant Retailer” means those retailers identified in Appendix B under the heading “RETAILERS.” The Grantee acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Grantee because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if the Grantee worked with a Significant Retailer in any of the capacities described above.

13. Right of Set Off. By executing this Agreement, the Grantee consents to a deduction from any amounts the Company or any Affiliate owes the Grantee from time to time, to the extent of the amounts the Grantee owes the Company under Section 12 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Grantee to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Grantee owes the Company, calculated as set forth above, the Grantee agrees to pay immediately the unpaid balance to the Company upon the Company’s demand.

14. Nature of Remedies.

(a) The remedies set forth in Sections 12 and 13 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Shares acquired upon vesting of this Award referring to the repurchase right set forth in Section 12(a) above. The Company shall also be entitled to issue stop transfer

instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 12(a) has occurred or is reasonably likely to occur.

15. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this 2017 Performance Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: /s/ Carmen Dabiero

Name: Carmen Dabiero

Title: Senior Vice President, Human Resources

GRANTEE

/s/ H. Clifford Buster, III

Grantee signature

H. Clifford Buster, III

Name of Grantee

[Signature Page to 2017 Performance Restricted Stock Unit Award Agreement]

2017 PRSU

PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARDS

A. Performance Periods. The Performance Periods are as follows:

- any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”); and
- any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

Performance Metrics. Subject to Section 4 of the Agreement, all or part of the Target Shares shall vest based on the highest Adjusted EBITDA during any Four Quarter Period during the First Designated Period or Second Designated Period as described below. The Adjusted EBITDA must equal or exceed \$600 million for a Four Quarter Period for any Target Shares to vest (referred to as the “Minimum Performance Metrics”).

First Designated Period. If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the First Designated Period is: less than \$600 million, then no PRSUs would vest, but a portion may vest based on the Company’s performance in the Second Designated Period as described below; equal to \$600 million then 66% of the PRSUs will be vested and the right to earn the rest based on performance will terminate (but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement); equal to or greater than \$650 million then all of the PRSUs will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the right to earn the rest based on performance will terminate, but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement.

Second Designated Period. If any PRSUs vest as provided above as a result of the Company’s performance with respect to the First Designated Period, then the right to earn all the PRSUs that weren’t earned in the First Designated Period will terminate and the Second

Designated Period will no longer be relevant (but these unvested RSUs may be converted into RSUs upon a Change of Control during the Second Designated Period as provided in Section 5 of the Agreement). However, if no PRSUs vested pursuant to the prior paragraph then 50% of the total PRSUs subject to the Agreement will no longer be subject to vesting based on performance (subject to conversion into RSUs as described above in the event of a Change of Control) and the remaining 50% of the PRSUs will remain available for vesting based on the Company's performance in the Second Designated Period (with such PRSUs carried over and available referred to as the "Second Period PRSUs"). If the Company's highest Adjusted EBITDA in any Four Quarter Period during the Second Designated Period is: less than \$600 million, then no PRSUs would vest; equal to \$600 million then 66% of the Second Period PRSUs (or 33% of the original Target Shares) will be vested and the rest will be forfeited; equal to or greater than \$650 million then 100% of the Second Period PRSUs (or 50% of the original Target Shares) will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the rest will be forfeited.

B. Definitions and Method of Calculating Performance Metrics. The Final Award for the applicable Designated Period shall be determined pursuant to the following provisions and rules:

As used in this Appendix A:

"Adjusted EBITDA" means, for the Designated Period, the Company's "Consolidated EBITDA" for such period determined in accordance with the New Credit Facility.

"New Credit Facility" means the Credit Agreement, dated as of April 6, 2016, among the Company, certain of its subsidiaries and the lenders named therein, as in effect on the Grant Date.

Method of Calculation. Adjusted EBITDA shall be determined by the Committee based on the definitions set forth above and in accordance with U.S. generally accepted accounting principles ("GAAP") (to the extent relevant) and derived from the Company's consolidated audited financial statements for the relevant fiscal year or period or for interim periods, consolidated unaudited financial statements included in the Company's SEC filings, and in each case subject to adjustment as set forth in this Section B. However, GAAP for this purpose will be determined using the same definition of GAAP as in effect from time (including exclusions) used for the New Credit Facility (or any successor credit facility).

(iii) Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to eliminate the impact of the following items (whether or not they are adjustments from Consolidated EBITDA under the New Credit Facility):

- the effects of divestitures of businesses, or asset dispositions outside the ordinary course of business (in each case including related restructuring costs);
- labor union actions, and costs outside the ordinary course of business associated with multiemployer pension plans;
- costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or
- a separation, spin off, reorganization, liquidation, or similar corporate restructuring event affecting the Company or any of its subsidiaries and disclosed in the Company's filings with the Securities and Exchange Commission.

However, in connection with any acquisitions of businesses the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA for the acquired business. The Adjusted EBITDA adjustment will be in the same amount as the Adjusted EBITDA included in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board of Directors (the "Board") for its review and approval of the acquisition prior to signing the definitive agreement for the acquisition (the "Reviewed Forecast"). In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the acquisition.

In addition, in connection with any joint ventures, (i) to address the impact from changes resulting from changes in accounting for joint ventures (for example, consolidating a joint venture that was not previously consolidated) and changes in the level of ownership of an existing joint venture, the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA resulting from the changes in accounting and changes in level of ownership set forth in a forecast prepared by management and reviewed and approved by the Audit Committee of the Board.

In addition, in connection with any sales to or other acquisitions of assets by joint ventures from the Company or its subsidiaries the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased).

The Adjusted EBITDA adjustment will be in the same amount as the increase in Adjusted EBITDA resulting from such transaction as set forth in the most recent management “base case” projections on a standalone basis (that is, with no synergies) presented by the Company’s management to the Board for its review and approval of the transaction prior to signing the definitive agreement for the transaction. In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the transaction.

In addition, acquisitions by joint ventures from third parties and sales of assets by joint ventures to third parties or the Company and its subsidiaries will be addressed as provided in the first two paragraphs of this subparagraph B(iii).

This subsection B(iii) is not intended to constitute positive discretion and does not constitute positive discretion with respect to the determination of Adjusted EBITDA.

Competitive Enterprises For the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex

Forty Winks

Furniture Village

France Bed

Future Foam

Harrisons

Harvey Norman Group

Hastens

Helix Sleep

Hilding Anders Group

Hyundai Retail Group

Hypnos

IBC

Jysk Group

KayMed

King Koil

Kingsdown

Koala

Lady Americana

Land and Sky

Leesa Sleep

Leggett & Platt

Lo Monaco

Lotte Retail Group

Luna

Lutz Group

Magniflex

Metzler

Myers

Nature's Sleep (GhostBed)

Optimo

Ortobom

Per Dormire

Purple, Inc.

Natura

Natures Rest

Park Place

Permaflex

Pikolin Group

Recticel Group

Relyon

Restonic

Reverie

Rosen

Rowe

Saatva

Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.
2013 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award Agreement

H. Clifford Buster, III

This Restricted Stock Unit Award Agreement (this “Agreement”), dated as of September 5, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Recipient”).

1. Award of Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “Plan”), the Company grants the Recipient an award (the “Award”) for 15,955 restricted stock units (“Restricted Stock Units”), each representing the right to a share of the common stock, par value \$0.01 per share (the “Common Stock”), of the Company (the “Stock”) on and subject to the terms and conditions of this Agreement. This Award is granted as of September 5, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

2. Rights of Restricted Stock Units. If the Company declares and pays a dividend or other distribution with respect to the outstanding Common Stock (collectively “Stock Payments”) at or before the issuance of the Stock to the Recipient pursuant to Section 4(g), then the Company shall pay to the Recipient, at the time it delivers the Stock pursuant to Section 4(g) (the “Delivered Shares”), the Stock Payments that would have been paid on the Delivered Shares had they been outstanding at the time the Stock Payments were made. In no event will any Stock Payment be paid to the Recipient prior to delivery of Delivered Shares, and if the Restricted Stock Units do not vest for any reason then no Stock Payments will ever be paid with respect thereto and all rights thereto will be forfeited. Except for the contingent rights described in the preceding sentence, unless and until the vesting conditions of the Award have been satisfied and the Recipient has received the shares of Stock in accordance with the terms and conditions described herein, the Recipient shall have none of the attributes of ownership with respect to such shares of Stock.

3. Vesting Period and Rights; Taxes; and Filings.

(a) Vesting Period and Rights. The Award will vest in four equal installments on the first four anniversaries of the Grant Date (each “Vesting Date”), unless the Award terminates or vests earlier in accordance with paragraph (c) below or Section 4 or 5 hereof.

Subject to the provisions of Sections 4 and 5 below, any vesting is subject to the Recipient continuing to be employed by the Company or an Affiliate of the Company on the applicable Vesting Date. Any Restricted Stock Units that have been vested as described above are referred to herein as “Vested RSUs”.

(b) Taxes. The Recipient is required to provide sufficient funds to pay all withholding taxes. Pursuant to the Plan, the Company shall have the right to require the Recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to the Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on the Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Recipient. However, in such cases Recipient may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the shares of Stock to be issued under the Award to satisfy the Recipient’s tax obligations. The Recipient may only elect to have shares of Stock withheld having a Market Value on the date the tax is to be determined equal to at least the minimum statutory total withholding taxes arising upon the vesting of the Award or such higher amount approved by the Committee. If the Recipient has not submitted an election on or before the thirtieth (30) day prior to a Vesting Date, Recipient shall be deemed to have elected to have shares withheld from the shares of Stock to be issued under the Award to satisfy the Recipient’s tax obligation in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Recipient, and shall be subject to any restrictions or limitations that the Committee deems appropriate. In addition, if shares of Stock are withheld as provided above, in lieu of issuing a fractional share of Stock as a result of such withholding the Company will pay cash to the Recipient in an amount equal to the Market Value of such fractional share.

(c) Performance Condition for Vesting. Notwithstanding anything in this Agreement to the contrary, if the Company does not achieve positive Profits for 2018, then all Restricted Stock Units (whether or not Vested RSUs) shall terminate immediately and be forfeited. The calculation of Profits is described in Appendix B hereto.

(d) Filings. The Recipient is responsible for any filings required under Section 16 of the Securities Exchange Act of 1934 and the rules thereunder.

4. Termination of Employment. If the Recipient's employment with the Company or an Affiliate of the Company terminates prior to the fourth anniversary of the Grant Date, including because the Recipient's employer ceases to be an Affiliate, the right to the Restricted Stock Units and the Stock shall be as follows:

(a) Death. If the Recipient dies, the Restricted Stock Units granted hereunder will vest immediately and the person or persons to whom the Recipient's rights shall pass by will or the laws of descent and distribution shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(b) Long-Term Disability. If the Company or an Affiliate of the Company terminates the Recipient's employment as a result of long-term disability (within the meaning of Section 409A of the Code), the Restricted Stock Units granted hereunder will vest immediately and Recipient shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(c) By the Company For Cause or By the Recipient Without Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate For Cause or if the Recipient resigns or otherwise terminates his employment without Good Reason, including by any Retirement that is not an Approved Retirement or the Recipient's voluntary departure, the Recipient's right to such Restricted Stock Units and the Stock granted hereunder shall be forfeited, no Stock shall be issued and the Restricted Stock Units shall be cancelled. The terms "For Cause", "Good Reason", "Retirement" and "Approved Retirement" are defined below.

(d) By the Company Other Than For Cause or By the Recipient for Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate other than For Cause, by his resignation for Good Reason, or due to Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control), then subject to meeting the performance test in Section 3(c), (i) if the termination occurs prior to the first Vesting Date, the Recipient shall be entitled to receive a pro rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefore, and (ii) if the termination occurs on or after the first Vesting Date, the Recipient shall be entitled to receive all the Restricted Stock Units, as and when they become vested on the applicable Vesting Date. For purposes of clause (i) of the preceding sentence, "pro rata portion" means the number of Restricted Stock Units granted multiplied by the number of full calendar months that elapsed from the Grant Date to the date of termination, divided by 12. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and the Stock hereunder

shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from the Recipient in a form approved by the Compensation Committee (the “Committee”) of the Board of Directors (“Release and Waiver”) (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement.

(e) Approved Retirement. In the event of the Recipient’s Approved Retirement, the Committee may at its discretion consent to the continued vesting of a pro-rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefor. For this purpose, “pro-rata portion” means (i) the number of Restricted Stock Units granted multiplied by the actual number of full calendar months that elapsed from the Grant Date to the date of such Approved Retirement and then divided by 48 less (ii) the number of Restricted Stock Units already vested. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient’s rights to the Restricted Stock Units and Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver from the Recipient (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement. If the Committee shall for any reason decline to consent to continued vesting on the Recipient’s Approved Retirement, then the provisions of subsection (c) above shall instead apply.

(f) Definitions. As used in this Agreement:

(i) “Change of Control” shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) “Employee”, “employment”, “termination of employment” and “cease to be employed,” and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee, consultant or director.

(iii) “Employment Agreement” shall mean the Employment and Non-Competition Agreement, dated as of September 5, 2017, between the Company and Employee, as amended and in effect from time to time.

(iv) “For Cause” shall have the meaning assigned to such term in the Employment Agreement;

(v) “Good Reason” shall have the meaning assigned to such term in the Employment Agreement; and

(vi) “Approved Retirement” shall mean any retirement of the Recipient that the Committee determines in its sole discretion shall be treated as an “Approved Retirement” for purposes of this Agreement.

(g) Payment. In all cases, payment (i.e., issuance of the Stock and payment of any applicable Stock Payments as provided in Section 2) with respect to any Vested RSUs shall be made promptly and, in any event, within twenty (20) days following the later of (x) the applicable Vesting Date or the date of any accelerated vesting as described in Section 4(a), Section 4(b) or Section 4(d) above and (y) the determination of whether the performance goal in Section 3(c) has been met. For this purpose, Restricted Stock Units continuing to vest on account of (i) a termination of employment by the Company or its Affiliates other than For Cause, (ii) Recipient’s resignation for Good Reason, (iii) Recipient’s employer ceasing to be an Affiliate (in the absence of a Change of Control) or (iv) an Approved Retirement, shall continue to vest as provided above only if the Company has received the required Release and Waiver, but delivery of the Stock and payment of any applicable Stock Payments as provided in Section 2 on or after the next applicable Vesting Date pursuant to this paragraph (g) shall not obviate the need to comply with the covenants contained in Section 10 until the Covenant Termination Date in order to retain the Stock then delivered.

5. Change of Control Provisions. Pursuant to the Change of Control provisions of Section 9 of the Plan and notwithstanding anything herein to the contrary if a Change of Control occurs, this Agreement shall remain in full force and effect in accordance with its terms subject to the following. In the event of such Change of Control:

(a) if the Recipient’s employment is terminated by the Company or an Affiliate of the Company other than For Cause or if the Recipient resigns for Good Reason within twelve (12) months after the occurrence of a Change of Control, all of the Recipient’s Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled

to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of such termination of employment; and

(b) if the Restricted Stock Units are not assumed, converted or replaced by a successor organization following such Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of the Change of Control.

(c) The Company (or any successor organization) may require the Recipient to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Other Provisions.

(a) This Award of Restricted Stock Units does not give the Recipient any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or its Affiliates to terminate the Recipient's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any shares of Stock due to the Recipient upon the Vesting Date (or, if vesting of the Restricted Stock Units is accelerated pursuant to Section 4 or 5, such earlier date) with respect to vested Restricted Stock Units which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such shares. Acceptance of this Award constitutes the Recipient's agreement that the shares of Stock subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Recipient in violation of any applicable securities laws or regulations.

(c) The Award, the Restricted Stock Units and entitlement to the Stock are subject to this Agreement and Recipient's acceptance hereof shall constitute the Recipient's agreement to any administrative regulations of the Committee of the Board. In the event of any inconsistency between this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

(d) All decisions of the Committee upon any questions arising under the Plan or under these terms and conditions shall be conclusive and binding, including, without

limitation, those decisions and determinations to adjust the Restricted Stock Units made by the Committee pursuant to the authority granted under Section 8.4(d) of the Plan.

(e) Except as provided in Section 6.4 of the Plan, no right hereunder related to the Award or these Restricted Stock Units and no rights hereunder to the underlying Stock shall be transferable (except by will or the laws of descent and distribution) until such time, if ever, that the Stock is earned and delivered.

7. Incorporation of Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the Plan, including but not limited to Section 8 of the Plan, “Adjustment Provisions”, and the limitations on the Company’s obligation to deliver Stock upon vesting set forth in Section 10 of the Plan, “Settlement of Awards”. Capitalized terms used but not defined herein shall have the meaning assigned under the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the provisions of the Plan shall control.

8. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Recipient. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

9. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award, including upon the issuance of the Stock or upon the Recipient’s sale or other disposition of the Stock. The Recipient should rely on his own tax advisors for such advice. Notwithstanding the foregoing, the Recipient and the Company hereby acknowledge that both the Recipient and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the Restricted Stock Units or the Stock by the Recipient pursuant to this Agreement. The Recipient hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed

consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Recipient bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

10. Certain Remedies.

(a) If at any time prior to the later of (y) the last day of the two (2) year period after termination of the Recipient's employment with the Company and its Affiliates and (z) the last Vesting Date (the later of such days being the "Covenant Termination Date"), any of the following occur:

(i) the Recipient unreasonably refuses to comply with lawful requests for cooperation made by the Company, its board of directors, or its Affiliates;

(ii) the Recipient accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 10(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 10(d)), or the Recipient otherwise engages in competition with the Company or its Affiliates;

(iii) the Recipient acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Recipient's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;

(iv) the Recipient fails to protect and safeguard while in his possession or control, or surrender to the Company upon termination of the Recipient's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Recipient;

(v) the Recipient solicits or encourages any person or enterprise with which the Recipient has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;

(vi) the Recipient takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its

Affiliates, or any of their respective directors, officers, agents, or employees, or the Recipient takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

(vii) the Recipient breaches any confidentiality obligations the Recipient has to the Company or an Affiliate, the Recipient fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Recipient uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Recipient discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Recipient entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement or the Plan;

(2) any Stock acquired and held by the Recipient pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Recipient from the sale of Stock acquired through the Award during the Applicable Period or realized from the receipt of Stock Payments pursuant to Section 2 shall be paid by the Recipient to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Recipient’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix A hereto, which may be amended by the Company from time to time upon notice to the Recipient. At any time the Recipient may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the

receipt of sufficient information from the Recipient about the enterprise, and the determination will be valid for a period of ninety (90) days from the date of determination.

(d) The term “Significant Retailer” means those retailers identified in Appendix A hereto under the heading “RETAILERS.” The Recipient acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Recipient because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if he worked with a Significant Retailer in any of the capacities described above.

11. Right of Set Off. By executing this Agreement, the Recipient consents to a deduction from any amounts the Company or any Affiliate owes the Recipient from time to time, to the extent of the amounts the Recipient owes the Company under Section 10 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Recipient to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Recipient owes the Company, calculated as set forth above, the Recipient agrees to pay immediately the unpaid balance to the Company upon the Company’s demand.

12. Nature of Remedies.

(a) The remedies set forth in Sections 10 and 11 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Stock acquired upon vesting of this Award referring to the repurchase right set forth in Section 10(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company’s stock transfer agent in the event the Company believes that any event referred to in Section 10(a) has occurred or is reasonably likely to occur.

13. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company’s Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient.

By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: /s/ Scott L. Thompson
Name: Scott L. Thompson
Title: Chairman, President and Chief Executive Officer

RECIPIENT

/s/ H. Clifford Buster, III
Recipient signature

H. Clifford Buster, III
Name of Recipient

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex
Forty Winks
Furniture Village
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature's Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic
Reverie
Rosen
Rowe
Saatva

Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

PERFORMANCE METRICS FOR THE AWARD

DETERMINATION OF FINAL AWARD

(a) *Target Based on Positive Profits.* 100% of the Restricted Stock Units will be forfeited if the Company does not achieve positive Profits (i.e. greater than zero) for the year ended December 31, 2018. Any Restricted Stock Units not forfeited will remain subject to the vesting provisions of Section 3 and the provisions of Section 4 of the Agreement.

(b) *Definitions and Method of Calculating Performance Metrics.* Whether the Performance Metric has been met shall be determined pursuant to the following provisions and rules:

As used in this Appendix B:

Profits: means, for 2018, the Company's consolidated income before income taxes for 2018, determined in accordance with generally accepted accounting principles and derived from the Company's audited consolidated financial statements for 2018 as included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission, in each case subject to adjustment as set forth in this paragraph (b).

Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to the targets set forth in paragraph (a) above to exclude the effects of acquisitions or divestitures of businesses, or asset acquisitions or dispositions outside the ordinary course of business (including costs to restructure or integrate the newly acquired business or assets); labor union actions; effects of changes in tax laws; effects of changes in accounting principles; costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or a merger, consolidation, acquisition of property or shares, separation, spin off, reorganization, stock rights offering, liquidation, or similar event affecting the Company or any of its Subsidiaries.

EMPLOYMENT AND NON-COMPETITION AGREEMENT
(Bhaskar Rao)

THIS EMPLOYMENT AND NON-COMPETITION AGREEMENT (the “Agreement”) is executed as of this 13th day of October, 2017 (the “Effective Date”), by and between Tempur Sealy International, Inc., a Delaware corporation (the “Company”), and Bhaskar Rao, an individual (“Employee”).

In consideration of the premises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Employee,

IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

EMPLOYMENT

1.1 Term of Employment. Effective as of the Effective Date, the Company agrees to continue to employ Employee and to promote Employee to the position of Executive Vice President and Chief Financial Officer, and Employee agrees to continue employment by the Company, for the period commencing on the Effective Date and ending on March 31, 2019 (the “Initial Term”), subject to earlier termination as hereinafter set forth in Article III. Unless earlier terminated in accordance with Article III, following the expiration of the Initial Term, this Agreement shall be automatically renewed for successive one-year periods (collectively, the “Renewal Terms”; individually, a “Renewal Term”) unless, at least ninety (90) days prior to the expiration of the Initial Term or the then current Renewal Term, either party provides the other with a written notice of intention not to renew, in which case the Employee’s employment with the Company, and the Company’s obligations hereunder, shall terminate as of the end of the Initial Term or said Renewal Term, as applicable. Except as otherwise expressly provided herein, the terms of this Agreement during any Renewal Term shall be the same as the terms in effect immediately prior to such renewal, subject to any such changes or modifications as mutually may be agreed between the parties as evidenced in a written instrument signed by both the Company and Employee.

1.2 Position and Duties. Employee shall be employed in the position of Executive Vice President and Chief Financial Officer or such other executive position as may be assigned from time to time by the Company’s Chief Executive Officer. In such capacity, Employee shall be subject to the authority of, and shall report to, the Company’s Chief Executive Officer. Employee’s duties and responsibilities shall include those customarily attendant to Employee’s position and such other duties and responsibilities as may be assigned from time to time by the Chief Executive Officer. Employee shall devote Employee’s entire business time, loyalty, attention and energies exclusively to the business interests of the Company while employed by the Company, and shall perform his duties and responsibilities diligently and to the best of his ability.

ARTICLE II

COMPENSATION AND OTHER BENEFITS

2.1 Base Salary. The Company shall pay Employee an initial annual salary of \$430,000.00 ("Base Salary"), reflecting an increase effective October 13, 2017 from his current base salary of \$324,450 and payable in accordance with the normal payroll practices of the Company. The Employee's Base Salary will be reviewed and be subject to adjustment from time to time by the Board of Directors or its Compensation Committee at their discretion in accordance with the Company's annual review policy. Based on the Company's current policy, the Company expects Employee's first annual review would be during the first quarter of 2018.

2.2 Performance Bonus.

(a) Employee will be eligible to earn an annual performance-based bonus based on performance criteria approved by the Company's Board of Directors or its Compensation Committee for each full or pro rata portion of any fiscal year during which Employee is employed by the Company (each, a "Bonus Year"), the terms and conditions of which as well as Employee's entitlement thereto being determined annually in the sole discretion of the Company's Board of Directors or its Compensation Committee (the "Performance Bonus"). The amount of the Performance Bonus will vary based on the achievement of Company and individual performance criteria established by the Company's Board of Directors or its Compensation Committee, but the performance criteria will be set to target a Performance Bonus equal to a designated percentage of Base Salary as of December 31st of the applicable Bonus Year if the performance criteria are met (the "Target Bonus").

(b) For 2017, in light of his promotion and increase in salary effective October 13, 2017, (i) the amount of his Target Bonus with respect to the period up to October 13, 2017, will be based on 50% of his base salary paid with respect to the period from January 1, 2017 to October 13, 2017 and (ii) the amount of his Target Bonus with respect to the period from October 13, 2017 through December 31, 2017 will be based on 70% of his Base Salary paid with respect to this period (the "2017 Bonus"). The 2017 Bonus will be paid on or before March 15, 2018.

2.3 Equity Awards.

(a) Grant of Restricted Stock Units. On the Effective Date, the Company will grant Employee restricted stock units ("RSUs") to acquire shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), pursuant to the form of Restricted Stock Unit Award Agreement attached as Exhibit B to this Agreement, with the total shares of Common Stock subject to the RSUs having a fair market value on the date of grant of \$775,000 (based on the closing price on the New York Stock Exchange on the date of grant) and subject to vesting in four equal installments.

(b) Project 650 Award. On the Effective Date, the Company will grant Employee performance restricted stock units for 50,000 shares of the Company's Common Stock pursuant to the form of Performance Restricted Stock Unit Award Agreement attached as Exhibit C to this Agreement.

(c) The Company anticipates that commencing in 2018 Employee will be considered for future equity awards in accordance with the Company's process for executives, but the timing, amount and terms of any future grants will be subject to the discretion of the Board of Directors or the Compensation Committee.

2.4 Benefit Plans. Employee will be eligible to participate in the Company's retirement plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and in the Company's welfare benefit plans that are generally applicable to all executive employees of the Company (the "Plans"), in accordance with the terms and conditions thereof.

2.5 Financial Planning. Employee shall be eligible to participate in the Company's executive financial planning program which provides reimbursement of financial planning expenses to eligible executives in accordance to the terms of the program.

2.6 Vacation. Employee shall be entitled to vacation days in any calendar year in accordance with the Company's general vacation policies for senior executive employees.

2.7 Expenses. The Company shall reimburse Employee for all authorized and approved expenses incurred in the course of the performance of Employee's duties and responsibilities pursuant to this Agreement and consistent with the Company's policies with respect to travel, entertainment and miscellaneous expenses, and the requirements with respect to the reporting of such expenses.

2.8 Withholdings. All payments to be made by the Company hereunder will be subject to any withholding requirements.

ARTICLE III

TERMINATION

3.1 Right to Terminate; Automatic Termination.

(a) Termination by Company Without Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time and for any reason.

(b) Termination by Employee for Good Reason. Subject to Section 3.2, Employee may terminate his employment obligation hereunder (but not his obligations under Article IV hereof) for "Good Reason" (as hereinafter defined) if (i) Employee reasonably determines in good faith

that a Good Reason condition has occurred, (ii) Employee gives written notice thereof to the Company within thirty (30) days of the Good Reason event (which notice shall specify in reasonable detail the grounds upon which such notice is given), (iii) the Company fails, within thirty (30) days of receipt of such notice, to cure or rectify the grounds for such Good Reason termination set forth in such notice, and Employee has cooperated in good faith with the Company's efforts to cure such condition, (iv) notwithstanding such efforts, the Good Reason condition continues to exist, and (v) Employee terminates his employment within thirty (30) days after the end of such thirty (30)-day cure period. "Good Reason" shall mean any of the following: (i) relocation of Employee's principal workplace over sixty (60) miles from any of the Company's then existing workplaces without the consent of Employee (which consent shall not be unreasonably withheld, delayed or conditioned), or (ii) the Company's material breach of this Agreement or any other written agreement between Employee and the Company which is not cured within thirty (30) days after receipt by the Company from Employee of written notice of such breach.

(c) Termination by Company For Cause. Subject to Section 3.2, the Company may terminate Employee's employment and all of the Company's obligations under this Agreement at any time "For Cause" (as defined below) by giving notice to Employee stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "For Cause" shall mean any of the following: (i) Employee's willful and continued failure to substantially perform the reasonably assigned duties with the Company which are consistent with Employee's position and job description referred to in this Agreement, other than any such failure resulting from incapacity due to physical or mental illness, after a written notice is delivered to Employee by the Board of Directors of the Company which specifically identifies the manner in which Employee has not substantially performed the assigned duties and allowing Employee thirty (30) days after receipt by Employee of such notice to cure such failure to perform, (ii) material breach of this or any other written agreement between Employee and the Company which is not cured within thirty (30) days after receipt by the Employee from the Company of written notice of such breach, (iii) any material violation of any written policy of the Company which is not cured within thirty (30) days after receipt by Employee from the Company of written notice of such violation, (iv) Employee's willful misconduct which is materially and demonstrably injurious to the Company, (v) Employee's conviction by a court of competent jurisdiction of, or his pleading guilty or nolo contendere to, any felony, or (vi) Employee's commission of an act of fraud, embezzlement, or misappropriation against the Company or any breach of fiduciary duty or breach of the duty of loyalty, including, but not limited to, the offer, payment, solicitation or acceptance of any unlawful bribe or kickback with respect to the Company's business. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, in knowing bad faith and without reasonable belief that the action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, expressly authorized by a resolution duly adopted by the Board of Directors or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated For Cause unless and until there shall have been delivered to Employee a copy of a resolution, duly adopted by the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the

good faith opinion of the Board of Directors Employee committed the conduct set forth above in (i), (ii), (iii), (iv), (v) or (vi) of this Section and specifying the particulars thereof in detail.

(d) Termination Upon Death or Disability. Subject to Section 3.2, Employee's employment and the Company's obligations under this Agreement shall terminate: (i) automatically, effective immediately and without any notice being necessary, upon Employee's death; and (ii) in the event of the disability of Employee, by the Company giving notice of termination to Employee. For purposes of this Agreement, "disability" means the inability of Employee, due to a physical or mental impairment, for ninety (90) days (whether or not consecutive) during any period of 360 days, to perform, with reasonable accommodation, the essential functions of the work contemplated by this Agreement. In the event of any dispute as to whether Employee is disabled, the matter shall be determined by the Company's Board of Directors in consultation with a physician selected by the Company's health or disability insurer or another physician mutually satisfactory to the Company and the Employee. The Employee shall cooperate with the efforts to make such determination or be subject to immediate discharge. Any such determination shall be conclusive and binding on the parties. Any determination of disability under this Section 3.1 is not intended to alter any benefits any party may be entitled to receive under any long-term disability insurance policy carried by either the Company or Employee with respect to Employee, which benefits shall be governed solely by the terms of any such insurance policy. Nothing in this subsection shall be construed as limiting or altering any of Employee's rights under State workers compensation laws or State or federal Family and Medical Leave laws.

3.2 Rights Upon Termination.

(a) Section 3.1(a) and 3.1(b) Termination. If Employee's employment terminates pursuant to Section 3.1(a) or 3.1(b) hereof, in each case Employee shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company in the case of clauses (ii), (iii) and (v) below, (i) any unpaid Base Salary and the value of any accrued but unused vacation, (ii) a pro-rata portion of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs (based on the number of days of the Bonus Year prior to the effective date of termination and the amount of the Target Bonus set by the Board of Directors or Compensation Committee for the Employee for such Bonus Year) and whatever rights as to equity awards as Employee may have pursuant to any equity awards agreement with the Company, (iii) payment of Base Salary for twelve (12) months (the "Severance Period"), payable in accordance with the normal payroll practices of the Company, (iv) reimbursement of expenses to which Employee is entitled under Section 2.7 hereof, and (v) to the extent Employee timely elects "continuation coverage" under Section 4980B of the Code ("COBRA") reimbursement for the cost of continuation of the group medical plans of the Company as detailed in Section 2.4 hereof for the duration of the Severance Period, at the same rate of the Company's portion of the shared costs of such benefits as in effect from time to time for active employees of the Company; provided, however that (x) if the Company cannot continue such COBRA benefits, the Company shall reimburse Employee for the cost of replacing such benefits, and (y) such COBRA benefits shall be discontinued in the event Employee becomes eligible for similar benefits from a successor employer (and Employee shall promptly notify the Company of his eligibility for any such benefits).

(b) Section 3.1(c) and 3.1(d) Termination; Termination By Employee (Not for Good Reason). If Employee's employment is terminated pursuant to Sections 3.1(c) or 3.1(d) hereof, or if Employee quits employment (other than for Good Reason) notwithstanding the terms of this Agreement, Employee or Employee's estate shall have no further rights against the Company hereunder, except for the right to receive, following execution of a release and waiver in form satisfactory to the Company in the case of clause (iii) below, (i) any unpaid Base Salary, (ii) in the case of Section 3.1(d) hereof, the value of any accrued but unused vacation, (iii) in the case of Section 3.1(d) hereof, a pro-rata portion (based on the number of days of the Bonus Year prior to the effective date of termination) of any Performance Bonus that would be payable with respect to the Bonus Year in which the termination occurs, and whatever rights as to equity awards as Employee may have pursuant to any equity award agreement with the Company and (iv) reimbursement of expenses to which Employee is entitled under Section 2.7 hereof.

(c) Release; Timing of Payments. The release and waiver described in Sections 3.2(a) and (b) shall be delivered to the Employee on or before the fourteenth (14th) day following separation from employment with the Company. Further and notwithstanding the foregoing provisions of this Section 3.2, if the release and waiver described in, and required by, Section 3.2(a) and 3.2(b) as applicable, has not been executed, delivered and become irrevocable on or before the end of the sixty (60)-day period following Employee's termination of employment with the Company, no payments due pursuant to Section 3.2(a) or (b), as applicable, shall be, or shall become, payable. Further, to the extent that (A) such termination of employment occurs within 60 days of the end of any calendar year, and (B) any of such payments and severance benefits constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount, or provision of any benefit, otherwise scheduled to occur prior to the 60th day following the date of Employee's termination of employment hereunder, but for the condition on executing the release and waiver as set forth herein, shall be made (or commence being made) on the later of January 15th of the next calendar year following termination of employment or the date such release and waiver is delivered and has become irrevocable, after which any remaining payments and severance benefits shall thereafter be provided to Employee without interest according to the applicable schedule set forth herein.

ARTICLE IV

CONFIDENTIALITY; NON-COMPETITION; NON-SOLICITATION

4.1 Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

(a) Definitions. For purposes of this Agreement, the following terms are defined as follows:

(1) "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information

derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) “Confidential Information” means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company’s or any of its subsidiaries’ existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

(b) Nondisclosure of Confidential Information. Except as required in the conduct of the Company’s or any of its subsidiaries’ business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee’s employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition does not apply to Confidential Information after it has become generally known in the industry in which the Company conducts its business. This prohibition also does not prohibit Employee’s use of general skills and know-how acquired during and prior to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

(c) Trade Secrets. During Employee’s employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company’s or any of its subsidiaries’ Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company’s or any of its subsidiaries’ Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

(d) Copyright. All copyrightable work by the Employee relating to the Company’s business or the business of any subsidiary or affiliate of the Company during the term of the Employee’s employment by the Company is intended to be “work made for hire” as defined in Section 101 of the Copyright Act of 1976, and shall be the property of the Company. If the copyright to any such copyrightable work is not the property of the Company by operation of law, the Employee will, without further consideration, assign to the Company all right, title and interest in such copyrightable work and will assist the Company and its nominees in every way, at the Company’s expense, to secure, maintain and defend for the Company’s benefit, copyrights and any extensions and renewals thereof on any and all such work including translations thereof in any and all countries, such work to be and remain the property of the Company whether copyrighted or not.

(e) Exceptions. The provisions of paragraphs (b) and (c) above will not be deemed to prohibit any disclosure that is required by law or court order, provided that Employee has not intentionally taken actions to trigger such required disclosure and the Company is given reasonable prior notice and an opportunity to contest or minimize such disclosure.

4.2 Non-Competition.

(a) During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter) or in any other capacity, in any competition with the Company or any of its subsidiaries.

(b) Subsequent to Employment. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity (whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner (other than a minority shareholder or other equity interest of not more than 1% of a company whose equity interests are publicly traded on a nationally recognized stock exchange or over-the-counter), directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries (including without limitation those businesses listed in Exhibit A attached hereto) within any geographical location wherein the Company or any of its subsidiaries produces, sells or markets its goods and services at the time of such termination or within a one-year period prior to such termination.

4.3 Non-solicitation. For a two year period following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who was an employee of the Company or any of its subsidiaries on the date of Employee's termination or within three months prior to leaving his employment with the Company or any of its subsidiaries to leave their employment with the Company.

4.4 Return of Documents. Immediately upon termination of employment, Employee will return to the Company, and so certify in writing to the Company, all the Company's or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company's and its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets.

4.5 No Conflicts. To the extent that they exist, Employee will not disclose to the Company or any of its subsidiaries any of Employee's previous employer's confidential information or trade secrets. Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties. In addition, Employee and

the Company agree that it is important for any prospective employer to be aware of this Agreement, so that disputes concerning this Agreement can be avoided in the future. Therefore, the Employee agrees that, following termination of employment with the Company, the Company may forward a copy of Article IV of this Agreement (and any related Exhibits hereto) to any future prospective or actual employer, and the Employee releases the Company from any claimed liability or damage caused to the Employee by virtue of the Company's act in making that prospective or actual employer aware of Article IV of this Agreement (and any related Exhibits hereto).

4.6 Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee, (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement, and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

4.7 Equitable Relief and Remedies. Employee acknowledges that any breach of this Agreement will cause substantial and irreparable harm to the Company for which money damages would be an inadequate remedy. Accordingly, notwithstanding the provisions of Article V below, the Company shall in any such event be entitled to seek injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity, by statute or pursuant to Article V below.

ARTICLE V

AGREEMENT TO SUBMIT ALL EXISTING OR FUTURE DISPUTES TO BINDING ARBITRATION

The Company and Employee agree that any controversy or claim arising out of or related to this Agreement or Employee's employment with or termination by the Company that is not resolved by the parties shall be settled by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Said arbitration shall be conducted in Lexington, Kentucky. The parties further agree that the arbitrator may resolve issues of contract interpretation as well as law and award damages, if any, to the extent provided by the Agreement or applicable law. The parties agree that the costs of the arbitrator's services shall be borne by the Company. The parties further agree that the arbitrator's decision will be final and binding and enforceable in any court of competent jurisdiction. In addition to the A.A.A.'s Arbitration Rules and unless otherwise agreed to by the parties, the following rules shall apply:

(a) Each party shall be entitled to discovery exclusively by the following means: (i) requests for admission, (ii) requests for production of documents, (iii) up to fifteen (15) written interrogatories (with any subpart to be counted as a separate interrogatory), and (iv) depositions of no more than six individuals.

(b) Unless the arbitrator finds that delay is reasonably justified or as otherwise agreed to by the parties, all discovery shall be completed, and the arbitration hearing shall commence within five months after the appointment of the arbitrator.

(c) Unless the arbitrator finds that delay is reasonably justified, the hearing will be completed, and an award rendered within thirty (30) days of commencement of the hearing.

The arbitrator's authority shall include the ability to render equitable types of relief and, in such event, any aforesaid court may enter an order enjoining and/or compelling such actions or relief ordered or as found by the arbitrator. The arbitrator also shall make a determination regarding which party's legal position in any such controversy or claim is the more substantially correct (the "Prevailing Party") and the arbitrator shall require the other party to pay the legal and other professional fees and costs incurred by the Prevailing Party in connection with such arbitration proceeding and any necessary court action.

Notwithstanding the foregoing provisions of this Article V, the parties expressly agree that a court of competent jurisdiction may enter a temporary restraining order or an order enjoining a breach of Article IV of this Agreement without submission of the underlying dispute to an arbitrator. Such remedy shall be cumulative and nonexclusive, and shall be in addition to any other remedy to which the parties may be entitled.

ARTICLE VI

GENERAL PROVISIONS

6.1 Notices. Any and all notices provided for in this Agreement shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party, or (ii) when mailed to such party by registered or certified mail (return receipt requested) or sent to such party by courier, confirmed by receipt, and addressed to such party at the address designated below for such party as follows (or to such other address for such party as such party may have substituted by notice pursuant to this Section 6.1):

(a) If to the Company:

Tempur Sealy International, Inc.
1000 Tempur Way
Lexington, KY 40511
Attention: Chief Executive Officer

With a copy to Senior Vice President and General Counsel

(b) If to Employee:

Bhaskar Rao

6.2 Entire Agreement. This Agreement, together with the exhibits hereto, contains the entire understanding and the full and complete agreement of the parties and supersedes and replaces any prior understandings and agreements among the parties with respect to the subject matter hereof.

6.3 Miscellaneous. This Agreement may be altered, amended or modified only in writing, signed by both of the parties hereto, except that either party may update its address set forth in Section 6.1 by providing a notice of the updated address in the manner set forth in Section 6.1. Headings included in this Agreement are for convenience only and are not intended to limit or expand the rights of the parties hereto. References to Sections herein shall mean sections of the text of this Agreement, unless otherwise indicated.

6.4 Assignability. This Agreement and the rights and duties set forth herein may not be assigned by either of the parties without the express written consent of the other party. This Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

6.5 Severability. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the parties expressed therein.

6.6 Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

6.7 Governing Law; Jurisdiction; Construction. This Agreement shall be governed by the internal laws of the Commonwealth of Kentucky, without regard to any rules of construction that would require application of the laws of another jurisdiction. Any legal proceeding related to this Agreement and permitted under Section 4.7 and Article V hereof must be litigated in an appropriate Kentucky state or federal court, and both the Company and the Employee hereby consent to the exclusive jurisdiction of the Commonwealth of Kentucky for this purpose. The parties agree that they have been represented by counsel during the negotiation and execution of this Agreement, and accordingly each party waives the application of any law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party responsible for the drafting thereof.

6.8 Effective Date. The terms and conditions of this Agreement shall be effective as of the Effective Date.

6.9 Tax Compliance.

(a) The Company may withhold from any amounts payable hereunder any amounts required to be withheld under federal, state or local law and any other deductions authorized by Employee. The Company and the Employee agree that they will execute any and all amendments to this Agreement as they mutually agree in good faith may be necessary to ensure compliance with

the provisions of Section 409A (together with any implementing regulations, “Section 409A”) of the Code while preserving insofar as possible the economic intent of the respective provisions, so that Employee will not be subject to any tax (including interest and penalties) under Section 409A.

(b) For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(c) With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, the Employee, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(d) Notwithstanding anything to the contrary in this Agreement, if Employee is a “specified employee” as determined pursuant to Section 409A as of the date of Employee’s “separation from service” as defined in Treasury Regulation Section 1.409A-1(h) (or any successor regulation) and if any payments or entitlements provided for in this Agreement constitute a “deferral of compensation” within the meaning of Section 409A and cannot be paid or provided in the manner provided herein without subjecting Employee to additional tax, interest or penalties under Section 409A, then any such payment or entitlement which is payable during the first six months following Employee’s “separation from service” shall be paid or provided to Employee in a cash lump-sum on the first business day of the seventh calendar month immediately following the month in which Employee’s “separation from service” occurs or, if earlier, upon the Employee’s death. In addition, any payments or benefits due hereunder upon a termination of Employee’s employment which are a “deferral of compensation” within the meaning of Section 409A shall only be payable or provided to Employee (or Employee’s estate) upon a “separation from service” as defined in Section 409A. Finally, for the purposes of this Agreement, amounts payable under Section 3.2 shall be deemed not to be a “deferral of compensation” subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 – A-6.

(e) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (for example, “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may Employee, directly or indirectly, designate the calendar year of any payment to be made under this Agreement, to the extent such payment is subject to Code Section 409A.

(f) The Company makes no representation or warranty and shall have no liability to Employee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A but do not satisfy an exemption from, or the conditions of, Code Section 409A.

6.10 Clawback Policy. Employee acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all performance bonuses awarded pursuant to Section 2.2 and all equity awards pursuant to Section 2.3 will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to Employee. The Employee agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any bonuses paid under this Agreement or awards or amounts paid under the Company's Amended and Restated 2013 Equity Incentive Plan ("EIP") and that are subject to clawback pursuant to the Clawback Policy or any other such clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any bonuses paid under this Agreement or any equity awards or amounts paid under the EIP from the Employee's accounts, or pending or future compensation or equity awards.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

COMPANY:

TEMPUR SEALY INTERNATIONAL, INC.

/s/ Carmen Dabiero

By: Carmen Dabiero

Title: Senior Vice President, Human Resources

EMPLOYEE:

/s/ Bhaskar Rao

By: Bhaskar Rao

WITNESSED BY:

/s/ William H. Dorton

By: William H. Dorton

Title: Director, Corporate and Securities Counsel

Date: October 13, 2017

Exhibits:

Exhibit A	Competitive Enterprises of the Company and its Affiliates
Exhibit B	Restricted Stock Unit Award Agreement
Exhibit C	2017 Performance Restricted Stock Unit Award Agreement

[Signature Page to Employment and Non-Competition Agreement]

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella
Flex Group of Companies

Foamex
Forty Winks
Furniture Village
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature's Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic
Reverie
Rosen
Rowe

Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.
2013 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award Agreement

Bhaskar Rao

This Restricted Stock Unit Award Agreement (this “Agreement”), dated as of October 13, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Recipient”).

1. Award of Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “Plan”), the Company grants the Recipient an award (the “Award”) for _____ restricted stock units (“Restricted Stock Units”), each representing the right to a share of the common stock, par value \$0.01 per share (the “Common Stock”), of the Company (the “Stock”) on and subject to the terms and conditions of this Agreement. This Award is granted as of October 13, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

2. Rights of Restricted Stock Units. If the Company declares and pays a dividend or other distribution with respect to the outstanding Common Stock (collectively “Stock Payments”) at or before the issuance of the Stock to the Recipient pursuant to Section 4(g), then the Company shall pay to the Recipient, at the time it delivers the Stock pursuant to Section 4(g) (the “Delivered Shares”), the Stock Payments that would have been paid on the Delivered Shares had they been outstanding at the time the Stock Payments were made. In no event will any Stock Payment be paid to the Recipient prior to delivery of Delivered Shares, and if the Restricted Stock Units do not vest for any reason then no Stock Payments will ever be paid with respect thereto and all rights thereto will be forfeited. Except for the contingent rights described in the preceding sentence, unless and until the vesting conditions of the Award have been satisfied and the Recipient has received the shares of Stock in accordance with the terms and conditions described herein, the Recipient shall have none of the attributes of ownership with respect to such shares of Stock.

3. Vesting Period and Rights; Taxes; and Filings.

(a) Vesting Period and Rights. The Award will vest in four equal installments on the first four anniversaries of the Grant Date (each “Vesting Date”), unless the Award terminates or vests earlier in accordance with paragraph (c) below or Section 4 or 5 hereof. Subject to the provisions of Sections 4 and 5 below, any vesting is subject to the Recipient continuing to be employed by the Company or an Affiliate of the Company on the applicable Vesting Date. Any Restricted Stock Units that have been vested as described above are referred to herein as “Vested RSUs”.

(b) Taxes. The Recipient is required to provide sufficient funds to pay all withholding taxes. Pursuant to the Plan, the Company shall have the right to require the Recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to the Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on the Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Recipient. However, in such cases Recipient may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the shares of Stock to be issued under the Award to satisfy the Recipient's tax obligations. The Recipient may only elect to have shares of Stock withheld having a Market Value on the date the tax is to be determined equal to at least the minimum statutory total withholding taxes arising upon the vesting of the Award or such higher amount approved by the Committee. If the Recipient has not submitted an election on or before the thirtieth (30) day prior to a Vesting Date, Recipient shall be deemed to have elected to have shares withheld from the shares of Stock to be issued under the Award to satisfy the Recipient's tax obligation in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Recipient, and shall be subject to any restrictions or limitations that the Committee deems appropriate. In addition, if shares of Stock are withheld as provided above, in lieu of issuing a fractional share of Stock as a result of such withholding the Company will pay cash to the Recipient in an amount equal to the Market Value of such fractional share.

(c) Performance Condition for Vesting. Notwithstanding anything in this Agreement to the contrary, if the Company does not achieve positive Profits for 2018, then all Restricted Stock Units (whether or not Vested RSUs) shall terminate immediately and be forfeited. The calculation of Profits is described in Appendix B hereto.

(d) Filings. The Recipient is responsible for any filings required under Section 16 of the Securities Exchange Act of 1934 and the rules thereunder.

4. Termination of Employment. If the Recipient's employment with the Company or an Affiliate of the Company terminates prior to the fourth anniversary of the Grant Date, including because the Recipient's employer ceases to be an Affiliate, the right to the Restricted Stock Units and the Stock shall be as follows:

(a) Death. If the Recipient dies, the Restricted Stock Units granted hereunder will vest immediately and the person or persons to whom the Recipient's rights shall pass by will or the laws of descent and distribution shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(b) Long-Term Disability. If the Company or an Affiliate of the Company terminates the Recipient's employment as a result of long-term disability (within the meaning

of Section 409A of the Code), the Restricted Stock Units granted hereunder will vest immediately and Recipient shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(c) By the Company For Cause or By the Recipient Without Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate For Cause or if the Recipient resigns or otherwise terminates his employment without Good Reason, including by any Retirement that is not an Approved Retirement or the Recipient's voluntary departure, the Recipient's right to such Restricted Stock Units and the Stock granted hereunder shall be forfeited, no Stock shall be issued and the Restricted Stock Units shall be cancelled. The terms "For Cause", "Good Reason", "Retirement" and "Approved Retirement" are defined below.

(d) By the Company Other Than For Cause or By the Recipient for Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate other than For Cause, by his resignation for Good Reason, or due to Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control), then subject to meeting the performance test in Section 3(c), (i) if the termination occurs prior to the first Vesting Date, the Recipient shall be entitled to receive a pro rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefore, and (ii) if the termination occurs on or after the first Vesting Date, the Recipient shall be entitled to receive all the Restricted Stock Units, as and when they become vested on the applicable Vesting Date. For purposes of clause (i) of the preceding sentence, "pro rata portion" means the number of Restricted Stock Units granted multiplied by the number of full calendar months that elapsed from the Grant Date to the date of termination, divided by 12. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and the Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from the Recipient in a form approved by the Compensation Committee (the "Committee") of the Board of Directors ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement.

(e) Approved Retirement. In the event of the Recipient's Approved Retirement, the Committee may at its discretion consent to the continued vesting of a pro-rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefor. For this purpose, "pro-rata portion" means (i) the number of Restricted Stock Units granted multiplied by the actual number of full calendar months that elapsed from the Grant Date to the date of such Approved Retirement and then divided by 48 less (ii) the number of Restricted Stock Units already vested. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver from the Recipient (and said Release and Waiver shall

have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement. If the Committee shall for any reason decline to consent to continued vesting on the Recipient's Approved Retirement, then the provisions of subsection (c) above shall instead apply.

(f) Definitions. As used in this Agreement:

(i) "Change of Control" shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) "Employee", "employment", "termination of employment" and "cease to be employed," and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee, consultant or director.

(iii) "Employment Agreement" shall mean the Employment and Non-Competition Agreement, dated as of October 13, 2017, between the Company and Employee, as amended and in effect from time to time.

(iv) "For Cause" shall have the meaning assigned to such term in the Employment Agreement;

(v) "Good Reason" shall have the meaning assigned to such term in the Employment Agreement; and

(vi) "Approved Retirement" shall mean any retirement of the Recipient that the Committee determines in its sole discretion shall be treated as an "Approved Retirement" for purposes of this Agreement.

(g) Payment. In all cases, payment (i.e., issuance of the Stock and payment of any applicable Stock Payments as provided in Section 2) with respect to any Vested RSUs shall be made promptly and, in any event, within twenty (20) days following the later of (x) the applicable Vesting Date or the date of any accelerated vesting as described in Section 4(a), Section 4(b) or Section 4(d) above and (y) the determination of whether the performance goal in Section 3(c) has been met. For this purpose, Restricted Stock Units continuing to vest on account of (i) a termination of employment by the Company or its Affiliates other than For Cause, (ii) Recipient's resignation for Good Reason, (iii) Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control) or (iv) an Approved Retirement, shall continue to vest as provided above only if the Company has received the required Release and Waiver, but delivery of the Stock and payment of any applicable Stock Payments as provided in Section 2 on or after the next applicable Vesting Date pursuant to this paragraph (g) shall

not obviate the need to comply with the covenants contained in Section 10 until the Covenant Termination Date in order to retain the Stock then delivered.

5. Change of Control Provisions. Pursuant to the Change of Control provisions of Section 9 of the Plan and notwithstanding anything herein to the contrary if a Change of Control occurs, this Agreement shall remain in full force and effect in accordance with its terms subject to the following. In the event of such Change of Control:

(a) if the Recipient's employment is terminated by the Company or an Affiliate of the Company other than For Cause or if the Recipient resigns for Good Reason within twelve (12) months after the occurrence of a Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of such termination of employment; and

(b) if the Restricted Stock Units are not assumed, converted or replaced by a successor organization following such Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of the Change of Control.

(c) The Company (or any successor organization) may require the Recipient to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Other Provisions.

(a) This Award of Restricted Stock Units does not give the Recipient any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or its Affiliates to terminate the Recipient's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any shares of Stock due to the Recipient upon the Vesting Date (or, if vesting of the Restricted Stock Units is accelerated pursuant to Section 4 or 5, such earlier date) with respect to vested Restricted Stock Units which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such shares. Acceptance of this Award constitutes the Recipient's agreement that the shares of Stock subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Recipient in violation of any applicable securities laws or regulations.

(c) The Award, the Restricted Stock Units and entitlement to the Stock are subject to this Agreement and Recipient's acceptance hereof shall constitute the Recipient's agreement to any administrative regulations of the Committee of the Board. In the event of

any inconsistency between this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

(d) All decisions of the Committee upon any questions arising under the Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Restricted Stock Units made by the Committee pursuant to the authority granted under Section 8.4(d) of the Plan.

(e) Except as provided in Section 6.4 of the Plan, no right hereunder related to the Award or these Restricted Stock Units and no rights hereunder to the underlying Stock shall be transferable (except by will or the laws of descent and distribution) until such time, if ever, that the Stock is earned and delivered.

7. Incorporation of Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the Plan, including but not limited to Section 8 of the Plan, "Adjustment Provisions", and the limitations on the Company's obligation to deliver Stock upon vesting set forth in Section 10 of the Plan, "Settlement of Awards". Capitalized terms used but not defined herein shall have the meaning assigned under the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the provisions of the Plan shall control.

8. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Recipient. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

9. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award, including upon the issuance of the Stock or upon the Recipient's sale or other disposition of the Stock. The Recipient should rely on his own tax advisors for such advice. Notwithstanding the foregoing, the Recipient and the Company hereby acknowledge that both the Recipient and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the Restricted Stock Units or the Stock by the Recipient pursuant to this Agreement. The Recipient hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Recipient bears the entire risk

of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

10. Certain Remedies.

(a) If at any time prior to the later of (y) the last day of the two (2) year period after termination of the Recipient's employment with the Company and its Affiliates and (z) the last Vesting Date (the later of such days being the "Covenant Termination Date"), any of the following occur:

(i) the Recipient unreasonably refuses to comply with lawful requests for cooperation made by the Company, its board of directors, or its Affiliates;

(ii) the Recipient accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 10(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 10(d)), or the Recipient otherwise engages in competition with the Company or its Affiliates;

(iii) the Recipient acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Recipient's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;

(iv) the Recipient fails to protect and safeguard while in his possession or control, or surrender to the Company upon termination of the Recipient's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Recipient;

(v) the Recipient solicits or encourages any person or enterprise with which the Recipient has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;

(vi) the Recipient takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their respective directors, officers, agents, or employees, or the Recipient takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

(vii) the Recipient breaches any confidentiality obligations the Recipient has to the Company or an Affiliate, the Recipient fails to comply with the policies

and procedures of the Company or its Affiliates for protecting confidential information, the Recipient uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Recipient discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Recipient entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement or the Plan;

(2) any Stock acquired and held by the Recipient pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Recipient from the sale of Stock acquired through the Award during the Applicable Period or realized from the receipt of Stock Payments pursuant to Section 2 shall be paid by the Recipient to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Recipient’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix A hereto, which may be amended by the Company from time to time upon notice to the Recipient. At any time the Recipient may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Recipient about the enterprise, and the determination will be valid for a period of ninety (90) days from the date of determination.

(d) The term “Significant Retailer” means those retailers identified in Appendix A hereto under the heading “RETAILERS.” The Recipient acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Recipient because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if he worked with a Significant Retailer in any of the capacities described above.

11. Right of Set Off. By executing this Agreement, the Recipient consents to a deduction from any amounts the Company or any Affiliate owes the Recipient from time to time, to the extent of the amounts the Recipient owes the Company under Section 10 above, provided that this set-off right may not be applied against wages, salary or other amounts payable

to the Recipient to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Recipient owes the Company, calculated as set forth above, the Recipient agrees to pay immediately the unpaid balance to the Company upon the Company's demand.

12. Nature of Remedies.

(a) The remedies set forth in Sections 10 and 11 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Stock acquired upon vesting of this Award referring to the repurchase right set forth in Section 10(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 10(a) has occurred or is reasonably likely to occur.

13. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

RECIPIENT

Recipient signature

Bhaskar Rao

Name of Recipient

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex

Forty Winks

Furniture Village

France Bed

Future Foam

Harrisons

Harvey Norman Group

Hastens

Helix Sleep

Hilding Anders Group

Hyundai Retail Group

Hypnos

IBC

Jysk Group

KayMed

King Koil

Kingsdown

Koala

Lady Americana

Land and Sky

Leesa Sleep

Leggett & Platt

Lo Monaco

Lotte Retail Group

Luna

Lutz Group

Magniflex

Metzler

Myers

Nature's Sleep (GhostBed)

Optimo

Ortobom

Per Dormire

Purple, Inc.

Natura

Natures Rest

Park Place

Permaflex

Pikolin Group

Recticel Group

Relyon

Restonic

Reverie

Rosen

Rowe
Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

**PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARD**

(a) *Target Based on Positive Profits.* 100% of the Restricted Stock Units will be forfeited if the Company does not achieve positive Profits (i.e. greater than zero) for the year ended December 31, 2018. Any Restricted Stock Units not forfeited will remain subject to the vesting provisions of Section 3 and the provisions of Section 4 of the Agreement.

(b) *Definitions and Method of Calculating Performance Metrics.* Whether the Performance Metric has been met shall be determined pursuant to the following provisions and rules:

As used in this Appendix B:

Profits: means, for 2018, the Company's consolidated income before income taxes for 2018, determined in accordance with generally accepted accounting principles and derived from the Company's audited consolidated financial statements for 2018 as included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission, in each case subject to adjustment as set forth in this paragraph (b).

Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to the targets set forth in paragraph (a) above to exclude the effects of acquisitions or divestitures of businesses, or asset acquisitions or dispositions outside the ordinary course of business (including costs to restructure or integrate the newly acquired business or assets); labor union actions; effects of changes in tax laws; effects of changes in accounting principles; costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or a merger, consolidation, acquisition of property or shares, separation, spin off, reorganization, stock rights offering, liquidation, or similar event affecting the Company or any of its Subsidiaries.

**TEMPUR SEALY INTERNATIONAL, INC.
AMENDED AND RESTATED 2013 EQUITY INCENTIVE PLAN
LONG-TERM INCENTIVE PLAN**

**2017 Performance Restricted Stock Unit Award Agreement
Bhaskar Rao**

This 2017 Performance Restricted Stock Unit Award Agreement (this “Agreement”), dated as of October 13, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Grantee”).

Grantee:	Bhaskar Rao
Number of Target Shares in Award:	50,000
Date of Award:	October 13, 2017
Designated Periods:	Any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “ <u>First Designated Period</u> ”). Any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “ <u>Second Designated Period</u> ”, and together with the First Designated Period, the “ <u>Designated Periods</u> ”). Any such four consecutive fiscal quarter period is sometimes referred to as a “ <u>Four Quarter Period</u> ”.

Award of Performance Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “2013 EIP”) and the Company’s 2013 Long-Term Incentive Plan as amended and restated in connection with the amendment and restatement of the 2013 EIP (the “LTI Plan”), the Company grants the Grantee an award (the “Award”) for 50,000 performance restricted stock units (the “PRSUs”), each constituting the right on the terms and conditions set forth herein to a share of the Company’s common stock, par value \$0.01 per share (the “Target Shares”). This Award is granted as of October 13, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

Rights of the PRSUs and Target Shares. The Grantee will receive no dividend equivalent payments on the PRSUs or with respect to the Target Shares. Unless and until a Final Award has been determined and the Grantee has received Target Shares in accordance with the terms and conditions described herein, the Grantee shall have none of the attributes of ownership with respect to any Target Shares.

Determination of Final Award.

The Target Shares ultimately issued by the Company pursuant to the Award shall be subject to the Company's achievement ("Performance") of the Performance Metrics for the Award and compliance with the provisions and rules set forth on Appendix A attached hereto (the "Performance Metrics") and incorporated herein by this reference. Any determination that Target Shares have been earned with respect to the First Designated Period or the Second Designated Period as described below is sometimes referred to as the "Final Award" with respect to such Designated Period, and the Target Shares to be issued with respect to such Designated Period are sometimes referred to as the "Shares".

Within 50 days after the end of each Four Quarter Period during the First Designated Period, the Compensation Committee of the Board of Directors (the "Committee") shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics is referred to as an "Achievement Confirmation"). As provided in the LTI Plan, by March 1, 2020, the Committee shall determine and certify in writing (y) whether the Company achieved the Minimum Performance Metrics for the First Designated Period and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the First Designated Period how much of the PRSUs have vested (between 66% and 100% based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the "First Determination Date"). Not later than March 15, 2020, if the Company achieved the Minimum Performance Metrics for the First Designated Period, subject to Section 4 below the Company shall issue the applicable number of the Target Shares to Grantee, subject to Section 6 of this Agreement with respect to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the "First Settlement Date"). As provided in Appendix A, if the Company achieves at least the Minimum Performance Metrics for the First Designated Period and accordingly issues Target Shares as described above, the remaining PRSUs that were not earned will no longer be issuable pursuant to the Performance Metrics, but will be subject to potential conversion into RSUs pursuant to Section 5.

If the Company achieves the Minimum Performance Metrics for the First Designated Period, then this paragraph (c) does not apply. If the Company does not achieve the Minimum Performance Metrics for the First Designated Period, then any right to 1/2 of the Target Shares (25,000 Target Shares) based on achievement of the Performance Metrics will terminate (but these Target Shares will remain subject to conversion into PRSUs pursuant to Section 5 below, with these PRSUs, and any PRSUs no longer subject to the Performance Metrics but potentially convertible into RSUs as referred to in Section 3(b) above collectively referred to as "Deferred CofC PRSUs"), but the Grantee will still be entitled to earn up to 1/2 of the Target Shares (25,000 Target Shares) based on achievement of the Performance Metrics for the Second Designated Period. Within 50 days after the end of each Four Quarter Period during the Second Designated Period, the Committee shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level

of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics pursuant to this paragraph (c) is also referred to as an “Achievement Confirmation”). As provided in the LTI Plan, by March 1, 2021 the Committee shall determine and certify in writing (y) whether the Minimum Performance Metrics for the Second Designated Period have been achieved and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the Second Designated Period how much of the remaining PRSUs have vested (between 33% and 50% of the original Target Shares based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the “Second Determination Date” and together with the First Determination as “Determination Dates”). No later than March 15, 2021, if the Company did not meet the Minimum Performance Metrics for the First Designated Period but met the Minimum Performance Metrics for the Second Designated Period, subject to Section 4 below the Company shall issue the applicable number of Shares to Grantee, subject to Section 6 of this Agreement relating to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the “Second Settlement Date” and together with the First Settlement Date as “Settlement Dates”). If the Company does not achieve the Minimum Performance Metrics for the Second Designated Period then all the remaining Target Shares will be forfeited, and this Agreement will terminate.

Termination of Employment.

If the Grantee’s employment with the Company and its Affiliates terminates on or before December 31, 2019 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the First Designated Period and Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the First Designated Period, the Grantee’s employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee’s employment due to the Grantee’s long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered as described above. In addition, if the Grantee’s employment with the Company or its Affiliates terminates after December 31, 2019 and on or before December 31, 2020 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the Second Designated Period, the Grantee’s employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee’s employment due to the Grantee’s long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder

with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered in the Second Designated Period as described above. In addition, notwithstanding anything herein to the contrary, if the Grantee's employment terminates on or prior to a Settlement Date (other than due to death), no Shares shall be issued and all of the Grantee's rights to any Final Award and any Target Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from Grantee in a form required by the Company ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the Settlement Date (or, if earlier, the deadline established in the form of release delivered by the Company to the Grantee for execution); (ii) the Grantee has ensured that the Company has a valid address for Grantee on file as of the end of the Settlement Date; and (iii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement. In addition, notwithstanding the foregoing, if after the announcement of the signing of a definitive agreement for a Transaction that will also result in a Change of Control the Grantee dies or the Grantee's employment is terminated due to long-term disability (within the meaning of Section 409A of the Code), the PRSUs that would otherwise have converted into RSUs pursuant to Section 5 had the Grantee remained employed at the date the Change of Control had occurred will, notwithstanding the preceding provisions of this Section 4, convert into RSUs on the date the Change of Control actually occurs.

Definitions. For the purposes of this Agreement:

- (i) "Change of Control" shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;
- (ii) "Employee", "employment", "termination of employment" and "cease to be employed", and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee or as a consultant or a director; provided that any transition from an employment relationship to a consulting or board position is approved by the Committee;
- (iii) "Employment Agreement" shall mean the Employment and Non-Competition Agreement, dated as of October 13, 2017, between Grantee and the Company, as amended and in effect from time to time;
- (iv) "For Cause" shall have the meaning given such term in the Employment Agreement;
- (v) "Good Reason" shall have the meaning given such term in the Employment Agreement.
- (vi) "Retirement" shall mean any retirement of the Grantee that the Committee determines in its sole discretion shall be treated as an "Approved Retirement" for purposes of this Agreement.

Change of Control Provisions. Pursuant to, and in lieu of the provisions in, Section 9 of the 2013 EIP and subject to paragraphs (b) and (c) below, immediately upon the occurrence of a Change of Control, both the PRSUs subject to this Award that have not already become payable pursuant to Section 3(b) or Section 3(c) as a result of the applicable Determination Date

(“Outstanding Unvested PRSUs”) and any Deferred CofC PRSUs shall convert to time-based vesting restricted stock units (“RSUs”, with the shares of the Company’s common stock issuable thereunder referred to as “RSU Shares”), as follows:

The Grantee shall be entitled to receive RSUs equal to the number of Outstanding Unvested PRSUs and any Deferred CofC PRSUs in lieu of any claim to a Final Award. Any RSUs shall be subject to the terms of Section 8.4(c) of the 2013 EIP in the event of any Change of Control that is also a Transaction subject to Section 8.4(c) of the 2013 EIP.

If the Change of Control occurs on or after December 31, 2019 but before the First Determination Date, (i) if the Minimum Performance Metrics for the First Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(b) and any Outstanding Unvested PRSUs that did not become payable shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the First Designated Period were not met, then all of such Outstanding Unvested PRSUs shall convert into RSUs and such RSUs will be issued.

If the Change of Control occurs after December 31, 2020 but before the Second Determination Date, (i) if the Minimum Performance Metrics for the Second Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(c) and no Outstanding Unvested PRSUs shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the Second Designated Period were not met, then all of such Outstanding Unvested PRSUs shall terminate and be forfeited as provided in Section 3(c) and no RSUs will be issued.

None of the RSUs issued to Grantee in connection with a Change of Control pursuant to this Section 5 shall be immediately vested as of the date of such Change of Control (unless the Change of Control occurs on December 31, 2020 or as otherwise provided below). All of such RSUs shall vest on December 31, 2020 (for purposes of this Section 5, the “Vesting Date”), regardless of whether the Company has then achieved any of the Performance Metrics if the Grantee’s employment with the Company and its Affiliates continues through the period commencing on the date of the Change of Control and ending on the Vesting Date (the “Vesting Period”).

If the Grantee’s employment with the Company and its Affiliates terminates during the Vesting Period, the right to the RSUs shall be as follows:

(vii) If the Grantee’s employment with the Company or its Affiliates is terminated by the Company For Cause or the Grantee resigns without Good Reason, including by Retirement that is not an Approved Retirement or the Grantee’s voluntary departure, the RSUs will terminate immediately, no RSU Shares shall be issued to Grantee and all of the Grantee’s rights to the RSUs and the RSU Shares hereunder shall be forfeited.

(viii) If the Grantee's employment with the Company or its Affiliates is terminated by the Company or an Affiliate other than For Cause, by the Grantee's resignation for Good Reason or by reason of Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control, then all of the RSUs shall vest immediately, and the Grantee shall be entitled to receive all of the RSU Shares the Grantee would have been entitled to receive on the Vesting Date with respect thereto.

(ix) If the Grantee dies or the Company or an Affiliate of the Company terminates Grantee's employment due to Grantee's long-term disability (within the meaning of Section 409A of the Code), then all of the RSUs shall vest and the Grantee shall be entitled to receive all of the RSU Shares with respect thereto. These RSU Shares will be issued within sixty (60) days after the date of death or termination of employment.

(x) In the event of Grantee's Approved Retirement, then the number of RSUs that will vest and RSU Shares issued in connection therewith shall be pro-rated downward based on the actual number of calendar days that elapsed from the Grant Date to the date of such Approved Retirement, versus the total number of calendar days from the Grant Date to December 31, 2020; provided, however, that no RSU Shares shall be issued and all of the Grantee's rights to the RSUs and any RSU Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the 50th day following Grantee's termination of employment and (ii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement.

(xi) In the event that, immediately following a Change of Control, a successor organization does not convert, replace or assume the RSUs, all of the RSUs shall immediately vest and the Grantee shall be entitled to receive all of the RSU Shares represented thereby.

In all cases, any issuance of RSU Shares upon vesting of the RSUs in accordance with this Section 5 shall be made promptly and, in any event, within twenty (20) days following the date such RSUs shall become vested. For this purpose, RSUs vesting on account of (w) a termination by the Company other than For Cause, (x) resignation by the Grantee for Good Reason, (y) Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control or (z) an Approved Retirement, shall be treated as vesting on the Company's receipt of the required Release and Waiver but delivery of the RSU Shares at that time shall not obviate the need to comply with the covenants contained in Section 12 until the Covenant Termination Date (as defined in Section 12) in order to retain the RSU Shares then delivered.

The Company (or any successor organization) may require the Grantee to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

Settlement. The Final Award shall be settled by the issuance of Shares and not by payment of any cash, notwithstanding any provision of the 2013 EIP. However, the Company at its option in lieu of issuing fractional shares of stock on settlement may round up to the next whole share of stock.

Withholding. Pursuant to the 2013 EIP, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to any Final Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on such Final Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee. However, in such cases the Grantee may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the Shares or RSU Shares to be issued under this Award to satisfy the Grantee's tax obligations. The Grantee may only elect to have Shares or RSU Shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total withholding taxes arising upon the vesting of any Shares or RSU Shares or such higher amount approved by the Committee. If the Grantee has not submitted an election on or before the thirtieth (30) day prior to the applicable Determination Date, the Grantee shall be deemed to have elected to have shares withheld from the Shares or RSU Shares to be issued under this award to satisfy the Grantee's tax obligation, in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If the Company withholds a portion of the Shares as provided above and this would result in the issuance of a fractional share of stock, in lieu of issuing a fractional share the Company will pay the Grantee cash in an amount equal to the Market Value of the fractional share to be issued.

Other Provisions.

This Agreement does not give the Grantee any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or any of its Affiliates to terminate the Grantee's employment, at any time, for any reason not specifically prohibited by law.

The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any Shares or RSU Shares due to the Grantee upon the applicable Settlement Date with respect to any Final Award which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such Shares or RSU Shares. Acceptance of this Award constitutes the Grantee's agreement that the Shares or RSU Shares subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Grantee in violation of any applicable securities laws or regulations.

The Final Award and entitlement to the Shares or RSU Shares are subject to this Agreement and Grantee's acceptance hereof shall constitute the Grantee's agreement to any administrative regulations of the Committee.

All decisions of the Committee upon any questions arising under the 2013 EIP and LTI Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Award made by the Committee pursuant to the authority granted under Section 8 of the 2013 EIP.

No rights hereunder related to this Award or the Final Award shall be transferable, voluntarily or otherwise and no rights hereunder related to the underlying Target Shares or RSU Shares shall be transferable until such time, if ever, that the Shares or RSU Shares are earned and delivered.

Incorporation of 2013 EIP and LTI Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the 2013 EIP and the LTI Plan, including without limitation, the provisions of Section 7.7(e) and Section 8 of the 2013 EIP. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP and the LTI Plan. In the event of any conflict between the terms of this Agreement and the terms of the 2013 EIP and LTI Plan, the provisions of the 2013 EIP and LTI Plan shall control. For purposes of Section 4.1 of the 2013 EIP, any Deferred CofC PRSUs and any other Awards that would still be converted into RSUs on a Change of Control will be considered as outstanding, and will be considered forfeited if a Change of Control has not occurred on or before December 31, 2020.

Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Grantee. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

Tax Consequences.

The Company makes no representation or warranty as to the tax treatment of this Award or the Final Award, including upon the issuance of the Shares or RSU Shares or upon the Grantee's sale or other disposition of the Shares or RSU Shares. The Grantee should rely on the Grantee's own tax advisors for such advice. Notwithstanding the foregoing, the Grantee and the Company hereby acknowledge that both the Grantee and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the PRSUs or the Shares by the Grantee pursuant to this Agreement. The Grantee hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Grantee bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis

contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

Certain Remedies.

If at any time prior to the last day of the two (2) year period after termination of the Grantee's employment with the Company and its Affiliates (the "Covenant Termination Date"), any of the following occur:

- (i) the Grantee unreasonably refuses to comply with lawful requests for cooperation made by the Company, its Board, or its Affiliates;
- (ii) the Grantee accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 12(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 12(d)), or the Grantee otherwise engages in competition with the Company or its Affiliates;
- (iii) the Grantee acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Grantee's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;
- (iv) the Grantee fails to protect and safeguard while in the Grantee's possession or control, or surrender to the Company upon termination of the Grantee's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Grantee;
- (v) the Grantee solicits or encourages any person or enterprise with which the Grantee has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;
- (vi) the Grantee takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their respective directors, officers, agents, or employees, or the Grantee takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or
- (vii) the Grantee breaches any confidentiality obligations the Grantee has to the Company or an Affiliate, the Grantee fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Grantee uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Grantee discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Grantee entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement, the 2013 EIP or the LTI Plan;

(2) any Shares or RSU Shares acquired and held by the Grantee pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Grantee from the sale of Shares or RSU Shares acquired through the Award during the Applicable Period shall be paid by the Grantee to the Company.

The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Grantee’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix B hereto, which may be amended by the Company from time to time upon notice to the Grantee. At any time the Grantee may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Grantee about the enterprise, and the determination will be valid for a period of ninety (90) days commencing on the date of determination.

The term “Significant Retailer” means those retailers identified in Appendix B under the heading “RETAILERS.” The Grantee acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Grantee because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if the Grantee worked with a Significant Retailer in any of the capacities described above.

Right of Set Off. By executing this Agreement, the Grantee consents to a deduction from any amounts the Company or any Affiliate owes the Grantee from time to time, to the extent of the amounts the Grantee owes the Company under Section 12 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Grantee to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Grantee owes the Company, calculated as set forth above, the Grantee agrees to pay immediately the unpaid balance to the Company upon the Company’s demand.

Nature of Remedies.

The remedies set forth in Sections 12 and 13 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

The Company shall be entitled to place a legend on any certificate evidencing any Shares acquired upon vesting of this Award referring to the repurchase right set forth in Section 12(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 12(a) has occurred or is reasonably likely to occur.

Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this 2017 Performance Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By:

Name: Carmen J. Dabiero

Title: Senior Vice President, Human Resources

GRANTEE

Grantee signature

Bhaskar Rao

Name of Grantee

[Signature Page to 2017 Performance Restricted Stock Unit Award Agreement]

2017 PRSU

**PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARDS**

Performance Periods. The Performance Periods are as follows:

- any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”); and
- any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

Performance Metrics. Subject to Section 4 of the Agreement, all or part of the Target Shares shall vest based on the highest Adjusted EBITDA during any Four Quarter Period during the First Designated Period or Second Designated Period as described below. The Adjusted EBITDA must equal or exceed \$600 million for a Four Quarter Period for any Target Shares to vest (referred to as the “Minimum Performance Metrics”).

First Designated Period. If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the First Designated Period is: less than \$600 million, then no PRSUs would vest, but a portion may vest based on the Company’s performance in the Second Designated Period as described below; equal to \$600 million then 66% of the PRSUs will be vested and the right to earn the rest based on performance will terminate (but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement); equal to or greater than \$650 million then all of the PRSUs will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the right to earn the rest based on performance will terminate, but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement.

Second Designated Period. If any PRSUs vest as provided above as a result of the Company’s performance with respect to the First Designated Period, then the right to earn all the PRSUs that weren’t earned in the First Designated Period will terminate and the Second Designated Period will no longer be relevant (but these unvested RSUs may be converted into RSUs upon a Change of Control during the Second Designated Period as provided in Section 5 of the Agreement). However, if no PRSUs vested pursuant to the prior paragraph then 50% of the total PRSUs subject to the Agreement will no longer be subject to vesting based on performance (subject to conversion into RSUs as described above in the event of a Change of Control) and the remaining 50% of the PRSUs will remain available for vesting based on the Company’s

performance in the Second Designated Period (with such PRSUs carried over and available referred to as the “Second Period PRSUs”). If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the Second Designated Period is: less than \$600 million, then no PRSUs would vest; equal to \$600 million then 66% of the Second Period PRSUs (or 33% of the original Target Shares) will be vested and the rest will be forfeited; equal to or greater than \$650 million then 100% of the Second Period PRSUs (or 50% of the original Target Shares) will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the rest will be forfeited.

Definitions and Method of Calculating Performance Metrics. The Final Award for the applicable Designated Period shall be determined pursuant to the following provisions and rules:

As used in this Appendix A:

“Adjusted EBITDA” means, for the Designated Period, the Company’s “Consolidated EBITDA” for such period determined in accordance with the New Credit Facility.

“New Credit Facility” means the Credit Agreement, dated as of April 6, 2016, among the Company, certain of its subsidiaries and the lenders named therein, as in effect on the Grant Date.

Method of Calculation. Adjusted EBITDA shall be determined by the Committee based on the definitions set forth above and in accordance with U.S. generally accepted accounting principles (“GAAP”)(to the extent relevant) and derived from the Company’s consolidated audited financial statements for the relevant fiscal year or period or for interim periods, consolidated unaudited financial statements included in the Company’s SEC filings, and in each case subject to adjustment as set forth in this Section B. However, GAAP for this purpose will be determined using the same definition of GAAP as in effect from time (including exclusions) used for the New Credit Facility (or any successor credit facility).

(iii) Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to eliminate the impact of the following items (whether or not they are adjustments from Consolidated EBITDA under the New Credit Facility):

- the effects of divestitures of businesses, or asset dispositions outside the ordinary course of business (in each case including related restructuring costs);
- labor union actions, and costs outside the ordinary course of business associated with multiemployer pension plans;
- costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or

- a separation, spin off, reorganization, liquidation, or similar corporate restructuring event affecting the Company or any of its subsidiaries and disclosed in the Company's filings with the Securities and Exchange Commission.

However, in connection with any acquisitions of businesses the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA for the acquired business. The Adjusted EBITDA adjustment will be in the same amount as the Adjusted EBITDA included in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board of Directors (the "Board") for its review and approval of the acquisition prior to signing the definitive agreement for the acquisition (the "Reviewed Forecast"). In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the acquisition.

In addition, in connection with any joint ventures, (i) to address the impact from changes resulting from changes in accounting for joint ventures (for example, consolidating a joint venture that was not previously consolidated) and changes in the level of ownership of an existing joint venture, the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA resulting from the changes in accounting and changes in level of ownership set forth in a forecast prepared by management and reviewed and approved by the Audit Committee of the Board.

In addition, in connection with any sales to or other acquisitions of assets by joint ventures from the Company or its subsidiaries the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased). The Adjusted EBITDA adjustment will be in the same amount as the increase in Adjusted EBITDA resulting from such transaction as set forth in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board for its review and approval of the transaction prior to signing the definitive agreement for the transaction. In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the transaction.

In addition, acquisitions by joint ventures from third parties and sales of assets by joint ventures to third parties or the Company and its subsidiaries will be addressed as provided in the first two paragraphs of this subparagraph B(iii).

This subsection B(iii) is not intended to constitute positive discretion and does not constitute positive discretion with respect to the determination of Adjusted EBITDA.

Competitive Enterprises For the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex

Forty Winks

Furniture Villge

France Bed

Future Foam

Harrisons

Harvey Norman Group

Hastens

Helix Sleep

Hilding Anders Group

Hyundai Retail Group

Hypnos

IBC

Jysk Group

KayMed

King Koil

Kingsdown

Koala

Lady Americana

Land and Sky

Leesa Sleep

Leggett & Platt

Lo Monaco

Lotte Retail Group

Luna

Lutz Group

Magniflex

Metzler

Myers

Nature's Sleep (GhostBed)

Optimo

Ortobom

Per Dormire

Purple, Inc.

Natura

Natures Rest

Park Place

Permaflex

Pikolin Group

Recticel Group

Relyon

Restonic

Reverie

Rosen

Rowe
Saatva
Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.
AMENDED AND RESTATED 2013 EQUITY INCENTIVE PLAN
LONG-TERM INCENTIVE PLAN

2017 Performance Restricted Stock Unit Award Agreement
Bhaskar Rao

This 2017 Performance Restricted Stock Unit Award Agreement (this “Agreement”), dated as of October 13, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Grantee”).

Grantee:	Bhaskar Rao
Number of Target Shares in Award:	50,000
Date of Award:	October 13, 2017
Designated Periods:	Any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “ <u>First Designated Period</u> ”). Any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “ <u>Second Designated Period</u> ”, and together with the First Designated Period, the “ <u>Designated Periods</u> ”). Any such four consecutive fiscal quarter period is sometimes referred to as a “ <u>Four Quarter Period</u> ”.

Award of Performance Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “2013 EIP”) and the Company’s 2013 Long-Term Incentive Plan as amended and restated in connection with the amendment and restatement of the 2013 EIP (the “LTI Plan”), the Company grants the Grantee an award (the “Award”) for 50,000 performance restricted stock units (the “PRSUs”), each constituting the right on the terms and conditions set forth herein to a share of the Company’s common stock, par value \$0.01 per share (the “Target Shares”). This Award is granted as of October 13, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

Rights of the PRSUs and Target Shares. The Grantee will receive no dividend equivalent payments on the PRSUs or with respect to the Target Shares. Unless and until a Final Award has been determined and the Grantee has received Target Shares in accordance with the

terms and conditions described herein, the Grantee shall have none of the attributes of ownership with respect to any Target Shares.

Determination of Final Award.

The Target Shares ultimately issued by the Company pursuant to the Award shall be subject to the Company's achievement ("Performance") of the Performance Metrics for the Award and compliance with the provisions and rules set forth on Appendix A attached hereto (the "Performance Metrics") and incorporated herein by this reference. Any determination that Target Shares have been earned with respect to the First Designated Period or the Second Designated Period as described below is sometimes referred to as the "Final Award" with respect to such Designated Period, and the Target Shares to be issued with respect to such Designated Period are sometimes referred to as the "Shares".

Within 50 days after the end of each Four Quarter Period during the First Designated Period, the Compensation Committee of the Board of Directors (the "Committee") shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics is referred to as an "Achievement Confirmation"). As provided in the LTI Plan, by March 1, 2020, the Committee shall determine and certify in writing (y) whether the Company achieved the Minimum Performance Metrics for the First Designated Period and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the First Designated Period how much of the PRSUs have vested (between 66% and 100% based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the "First Determination Date"). Not later than March 15, 2020, if the Company achieved the Minimum Performance Metrics for the First Designated Period, subject to Section 4 below the Company shall issue the applicable number of the Target Shares to Grantee, subject to Section 6 of this Agreement with respect to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the "First Settlement Date"). As provided in Appendix A, if the Company achieves at least the Minimum Performance Metrics for the First Designated Period and accordingly issues Target Shares as described above, the remaining PRSUs that were not earned will no longer be issuable pursuant to the Performance Metrics, but will be subject to potential conversion into RSUs pursuant to Section 5.

If the Company achieves the Minimum Performance Metrics for the First Designated Period, then this paragraph (c) does not apply. If the Company does not achieve the Minimum Performance Metrics for the First Designated Period, then any right to 1/2 of the

Target Shares (25,000 Target Shares) based on achievement of the Performance Metrics will terminate (but these Target Shares will remain subject to conversion into PRSUs pursuant to Section 5 below, with these PRSUs, and any PRSUs no longer subject to the Performance Metrics but potentially convertible into RSUs as referred to in Section 3(b) above collectively referred to as “Deferred CofC PRSUs”), but the Grantee will still be entitled to earn up to 1/2 of the Target Shares (25,000 Target Shares) based on achievement of the Performance Metrics for the Second Designated Period. Within 50 days after the end of each Four Quarter Period during the Second Designated Period, the Committee shall determine and certify whether the Company achieved the Minimum Performance Metrics for such Four Quarter Period, and if it did, the level of Performance Metrics achieved for such Four Quarter Period (any certification confirming achievement of the Minimum Performance Metrics pursuant to this paragraph (c) is also referred to as an “Achievement Confirmation”). As provided in the LTI Plan, by March 1, 2021 the Committee shall determine and certify in writing (y) whether the Minimum Performance Metrics for the Second Designated Period have been achieved and (z) if the Minimum Performance Metrics were met, based on the highest Performance Metrics achieved in any Four Quarter Period during the Second Designated Period how much of the remaining PRSUs have vested (between 33% and 50% of the original Target Shares based on the formula set forth in Appendix A) and will be issued to Grantee (with the date of such determination referred to as the “Second Determination Date” and together with the First Determination as “Determination Dates”). No later than March 15, 2021, if the Company did not meet the Minimum Performance Metrics for the First Designated Period but met the Minimum Performance Metrics for the Second Designated Period, subject to Section 4 below the Company shall issue the applicable number of Shares to Grantee, subject to Section 6 of this Agreement relating to fractional shares and Section 7 of this Agreement relating to tax withholding (the date of such issuance being referred to herein as the “Second Settlement Date” and together with the First Settlement Date as “Settlement Dates”). If the Company does not achieve the Minimum Performance Metrics for the Second Designated Period then all the remaining Target Shares will be forfeited, and this Agreement will terminate.

Termination of Employment.

If the Grantee’s employment with the Company and its Affiliates terminates on or before December 31, 2019 for any reason, including because the Grantee’s employer ceases to be an Affiliate, the Grantee’s rights to the Target Shares payable with respect to the First Designated Period and Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee’s rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the First Designated Period, the Grantee’s

employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee's employment due to the Grantee's long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered as described above. In addition, if the Grantee's employment with the Company or its Affiliates terminates after December 31, 2019 and on or before December 31, 2020 for any reason, including because the Grantee's employer ceases to be an Affiliate, the Grantee's rights to the Target Shares payable with respect to the Second Designated Period shall terminate immediately, no Shares shall be issued to Grantee and all of the Grantee's rights to the Target Shares and any Final Award hereunder shall be forfeited; provided however that if, after the Committee has delivered at least one Achievement Confirmation with respect to the Second Designated Period, the Grantee's employment is terminated by the Company but not For Cause or the Grantee terminates employment for Good Reason or the Grantee dies or the Company terminates the Grantee's employment due to the Grantee's long-term disability (within the meaning of Section 409A of the Code), the Grantee shall retain rights to receive Target Shares payable hereunder with respect to the Four Quarter Periods for which Achievement Confirmations have been delivered in the Second Designated Period as described above. In addition, notwithstanding anything herein to the contrary, if the Grantee's employment terminates on or prior to a Settlement Date (other than due to death), no Shares shall be issued and all of the Grantee's rights to any Final Award and any Target Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from Grantee in a form required by the Company ("Release and Waiver") (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the Settlement Date (or, if earlier, the deadline established in the form of release delivered by the Company to the Grantee for execution); (ii) the Grantee has ensured that the Company has a valid address for Grantee on file as of the end of the Settlement Date; and (iii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement. In addition, notwithstanding the foregoing, if after the announcement of the signing of a definitive agreement for a Transaction that will also result in a Change of Control the Grantee dies or the Grantee's employment is terminated due to long-term disability (within the meaning of Section 409A of the Code), the PRSUs that would otherwise have converted into RSUs pursuant to Section 5 had the Grantee remained employed at the date the Change of Control had occurred will, notwithstanding the preceding provisions of this Section 4, convert into RSUs on the date the Change of Control actually occurs.

Definitions. For the purposes of this Agreement:

- (i) “Change of Control” shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;
- (ii) “Employee”, “employment”, “termination of employment” and “cease to be employed”, and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee or as a consultant or a director; provided that any transition from an employment relationship to a consulting or board position is approved by the Committee;
- (iii) “Employment Agreement” shall mean the Employment and Non-Competition Agreement, dated as of October 13, 2017, between Grantee and the Company, as amended and in effect from time to time;
- (iv) “For Cause” shall have the meaning given such term in the Employment Agreement;
- (v) “Good Reason” shall have the meaning given such term in the Employment Agreement.
- (vi) “Retirement” shall mean any retirement of the Grantee that the Committee determines in its sole discretion shall be treated as an “Approved Retirement” for purposes of this Agreement.

Change of Control Provisions. Pursuant to, and in lieu of the provisions in, Section 9 of the 2013 EIP and subject to paragraphs (b) and (c) below, immediately upon the occurrence of a Change of Control, both the PRSUs subject to this Award that have not already become payable pursuant to Section 3(b) or Section 3(c) as a result of the applicable Determination Date (“Outstanding Unvested PRSUs”) and any Deferred CofC PRSUs shall convert to time-based vesting restricted stock units (“RSUs”, with the shares of the Company’s common stock issuable thereunder referred to as “RSU Shares”), as follows:

The Grantee shall be entitled to receive RSUs equal to the number of Outstanding Unvested PRSUs and any Deferred CofC PRSUs in lieu of any claim to a Final Award. Any RSUs shall be subject to the terms of Section 8.4(c) of the 2013 EIP in the event of any Change of Control that is also a Transaction subject to Section 8.4(c) of the 2013 EIP.

If the Change of Control occurs on or after December 31, 2019 but before the First Determination Date, (i) if the Minimum Performance Metrics for the First Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(b) and any Outstanding Unvested PRSUs that did not become payable shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the First

Designated Period were not met, then all of such Outstanding Unvested PRSUs shall convert into RSUs and such RSUs will be issued.

If the Change of Control occurs after December 31, 2020 but before the Second Determination Date, (i) if the Minimum Performance Metrics for the Second Designated Period are determined to have been met in accordance with Section 3 and Appendix A, all or part of the Outstanding Unvested PRSUs shall become payable in accordance with Section 3(c) and no Outstanding Unvested PRSUs shall convert into RSUs as described above, and (ii) if it is determined that the Minimum Performance Metrics for the Second Designated Period were not met, then all of such Outstanding Unvested PRSUs shall terminate and be forfeited as provided in Section 3(c) and no RSUs will be issued.

None of the RSUs issued to Grantee in connection with a Change of Control pursuant to this Section 5 shall be immediately vested as of the date of such Change of Control (unless the Change of Control occurs on December 31, 2020 or as otherwise provided below). All of such RSUs shall vest on December 31, 2020 (for purposes of this Section 5, the “Vesting Date”), regardless of whether the Company has then achieved any of the Performance Metrics if the Grantee’s employment with the Company and its Affiliates continues through the period commencing on the date of the Change of Control and ending on the Vesting Date (the “Vesting Period”).

If the Grantee’s employment with the Company and its Affiliates terminates during the Vesting Period, the right to the RSUs shall be as follows:

(vii) If the Grantee’s employment with the Company or its Affiliates is terminated by the Company For Cause or the Grantee resigns without Good Reason, including by Retirement that is not an Approved Retirement or the Grantee’s voluntary departure, the RSUs will terminate immediately, no RSU Shares shall be issued to Grantee and all of the Grantee’s rights to the RSUs and the RSU Shares hereunder shall be forfeited.

(viii) If the Grantee’s employment with the Company or its Affiliates is terminated by the Company or an Affiliate other than For Cause, by the Grantee’s resignation for Good Reason or by reason of Grantee’s employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control, then all of the RSUs shall vest immediately, and the Grantee shall be entitled to receive all of the RSU Shares the Grantee would have been entitled to receive on the Vesting Date with respect thereto.

(ix) If the Grantee dies or the Company or an Affiliate of the Company terminates Grantee’s employment due to Grantee’s long-term disability (within the meaning of Section 409A of the Code),

then all of the RSUs shall vest and the Grantee shall be entitled to receive all of the RSU Shares with respect thereto. These RSU Shares will be issued within sixty (60) days after the date of death or termination of employment.

(x) In the event of Grantee's Approved Retirement, then the number of RSUs that will vest and RSU Shares issued in connection therewith shall be pro-rated downward based on the actual number of calendar days that elapsed from the Grant Date to the date of such Approved Retirement, versus the total number of calendar days from the Grant Date to December 31, 2020; provided, however, that no RSU Shares shall be issued and all of the Grantee's rights to the RSUs and any RSU Shares otherwise due shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the 50th day following Grantee's termination of employment and (ii) the Grantee shall have complied with the covenants set forth in Section 12 of this Agreement.

(xi) In the event that, immediately following a Change of Control, a successor organization does not convert, replace or assume the RSUs, all of the RSUs shall immediately vest and the Grantee shall be entitled to receive all of the RSU Shares represented thereby.

In all cases, any issuance of RSU Shares upon vesting of the RSUs in accordance with this Section 5 shall be made promptly and, in any event, within twenty (20) days following the date such RSUs shall become vested. For this purpose, RSUs vesting on account of (w) a termination by the Company other than For Cause, (x) resignation by the Grantee for Good Reason, (y) Grantee's employer ceasing to be an Affiliate following a Change of Control at any time following the Change of Control or (z) an Approved Retirement, shall be treated as vesting on the Company's receipt of the required Release and Waiver but delivery of the RSU Shares at that time shall not obviate the need to comply with the covenants contained in Section 12 until the Covenant Termination Date (as defined in Section 12) in order to retain the RSU Shares then delivered.

The Company (or any successor organization) may require the Grantee to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

Settlement. The Final Award shall be settled by the issuance of Shares and not by payment of any cash, notwithstanding any provision of the 2013 EIP. However, the Company at its option in lieu of issuing fractional shares of stock on settlement may round up to the next whole share of stock.

Withholding. Pursuant to the 2013 EIP, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to any Final Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on such Final Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee. However, in such cases the Grantee may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the Shares or RSU Shares to be issued under this Award to satisfy the Grantee's tax obligations. The Grantee may only elect to have Shares or RSU Shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total withholding taxes arising upon the vesting of any Shares or RSU Shares or such higher amount approved by the Committee. If the Grantee has not submitted an election on or before the thirtieth (30) day prior to the applicable Determination Date, the Grantee shall be deemed to have elected to have shares withheld from the Shares or RSU Shares to be issued under this award to satisfy the Grantee's tax obligation, in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If the Company withholds a portion of the Shares as provided above and this would result in the issuance of a fractional share of stock, in lieu of issuing a fractional share the Company will pay the Grantee cash in an amount equal to the Market Value of the fractional share to be issued.

Other Provisions.

This Agreement does not give the Grantee any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or any of its Affiliates to terminate the Grantee's employment, at any time, for any reason not specifically prohibited by law.

The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any Shares or RSU Shares due to the Grantee upon the applicable Settlement Date with respect to any Final Award which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such Shares or RSU Shares.

Acceptance of this Award constitutes the Grantee's agreement that the Shares or RSU Shares subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Grantee in violation of any applicable securities laws or regulations.

The Final Award and entitlement to the Shares or RSU Shares are subject to this Agreement and Grantee's acceptance hereof shall constitute the Grantee's agreement to any administrative regulations of the Committee.

All decisions of the Committee upon any questions arising under the 2013 EIP and LTI Plan or under these terms and conditions shall be conclusive and binding, including, without limitation, those decisions and determinations to adjust the Award made by the Committee pursuant to the authority granted under Section 8 of the 2013 EIP.

No rights hereunder related to this Award or the Final Award shall be transferable, voluntarily or otherwise and no rights hereunder related to the underlying Target Shares or RSU Shares shall be transferable until such time, if ever, that the Shares or RSU Shares are earned and delivered.

Incorporation of 2013 EIP and LTI Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the 2013 EIP and the LTI Plan, including without limitation, the provisions of Section 7.7(e) and Section 8 of the 2013 EIP. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP and the LTI Plan. In the event of any conflict between the terms of this Agreement and the terms of the 2013 EIP and LTI Plan, the provisions of the 2013 EIP and LTI Plan shall control. For purposes of Section 4.1 of the 2013 EIP, any Deferred CofC PRSUs and any other Awards that would still be converted into RSUs on a Change of Control will be considered as outstanding, and will be considered forfeited if a Change of Control has not occurred on or before December 31, 2020.

Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Grantee. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

Tax Consequences.

The Company makes no representation or warranty as to the tax treatment of this Award or the Final Award, including upon the issuance of the Shares or RSU Shares or upon the Grantee's sale or other disposition of the Shares or RSU Shares. The Grantee should rely on the

Grantee's own tax advisors for such advice. Notwithstanding the foregoing, the Grantee and the Company hereby acknowledge that both the Grantee and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the PRSUs or the Shares by the Grantee pursuant to this Agreement. The Grantee hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Grantee bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

Certain Remedies.

If at any time prior to the last day of the two (2) year period after termination of the Grantee's employment with the Company and its Affiliates (the "Covenant Termination Date"), any of the following occur:

- (i) the Grantee unreasonably refuses to comply with lawful requests for cooperation made by the Company, its Board, or its Affiliates;
- (ii) the Grantee accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 12(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 12(d)), or the Grantee otherwise engages in competition with the Company or its Affiliates;
- (iii) the Grantee acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Grantee's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;
- (iv) the Grantee fails to protect and safeguard while in the Grantee's possession or control, or surrender to the Company upon termination of the Grantee's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating

to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Grantee;

(v) the Grantee solicits or encourages any person or enterprise with which the Grantee has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;

(vi) the Grantee takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its Affiliates, or any of their respective directors, officers, agents, or employees, or the Grantee takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

(vii) the Grantee breaches any confidentiality obligations the Grantee has to the Company or an Affiliate, the Grantee fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Grantee uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Grantee discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Grantee entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement, the 2013 EIP or the LTI Plan;

(2) any Shares or RSU Shares acquired and held by the Grantee pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Grantee from the sale of Shares or RSU Shares acquired through the Award during the Applicable Period shall be paid by the Grantee to the Company.

The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Grantee’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive

with the Company's products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix B hereto, which may be amended by the Company from time to time upon notice to the Grantee. At any time the Grantee may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the receipt of sufficient information from the Grantee about the enterprise, and the determination will be valid for a period of ninety (90) days commencing on the date of determination.

The term "Significant Retailer" means those retailers identified in Appendix B under the heading "RETAILERS." The Grantee acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Grantee because of his knowledge of the industry and his knowledge of confidential information about the Company's commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company's competitive position and business if the Grantee worked with a Significant Retailer in any of the capacities described above.

Right of Set Off. By executing this Agreement, the Grantee consents to a deduction from any amounts the Company or any Affiliate owes the Grantee from time to time, to the extent of the amounts the Grantee owes the Company under Section 12 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Grantee to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Grantee owes the Company, calculated as set forth above, the Grantee agrees to pay immediately the unpaid balance to the Company upon the Company's demand.

Nature of Remedies.

The remedies set forth in Sections 12 and 13 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

The Company shall be entitled to place a legend on any certificate evidencing any Shares acquired upon vesting of this Award referring to the repurchase right set forth in Section 12(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company's stock transfer agent in the event the Company believes that any event referred to in Section 12(a) has occurred or is reasonably likely to occur.

Clawback Policy. The Recipient acknowledges receipt of a copy of the Company's Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient. By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this 2017 Performance Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: /s/ Carmen J. Dabiero

Name: Carmen J. Dabiero

Title: Senior Vice President, Human Resources

GRANTEE

/s/ Bhaskar Rao

Grantee signature

Bhaskar Rao

Name of Grantee

[Signature Page to 2017 Performance Restricted Stock Unit Award Agreement]

2017 PRSU

PERFORMANCE METRICS FOR THE AWARD
DETERMINATION OF FINAL AWARDS

Performance Periods. The Performance Periods are as follows:

- any four consecutive fiscal quarters ending between (and including) March 31, 2018 and December 31, 2019 (the “First Designated Period”); and
- any four consecutive fiscal quarters ending between (and including) March 31, 2020 and December 31, 2020 (the “Second Designated Period”, and together with the First Designated Period, the “Designated Periods”). Any such four consecutive fiscal quarter period is sometimes referred to as a “Four Quarter Period”.

Performance Metrics. Subject to Section 4 of the Agreement, all or part of the Target Shares shall vest based on the highest Adjusted EBITDA during any Four Quarter Period during the First Designated Period or Second Designated Period as described below. The Adjusted EBITDA must equal or exceed \$600 million for a Four Quarter Period for any Target Shares to vest (referred to as the “Minimum Performance Metrics”).

First Designated Period. If the Company’s highest Adjusted EBITDA in any Four Quarter Period during the First Designated Period is: less than \$600 million, then no PRSUs would vest, but a portion may vest based on the Company’s performance in the Second Designated Period as described below; equal to \$600 million then 66% of the PRSUs will be vested and the right to earn the rest based on performance will terminate (but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement); equal to or greater than \$650 million then all of the PRSUs will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the right to earn the rest based on performance will terminate, but the rest may be converted into RSUs upon a Change of Control as provided in Section 5 of the Agreement.

Second Designated Period. If any PRSUs vest as provided above as a result of the Company’s performance with respect to the First Designated Period, then the right to earn all the PRSUs that weren’t earned in the First Designated Period will terminate and the Second

Designated Period will no longer be relevant (but these unvested RSUs may be converted into RSUs upon a Change of Control during the Second Designated Period as provided in Section 5 of the Agreement). However, if no PRSUs vested pursuant to the prior paragraph then 50% of the total PRSUs subject to the Agreement will no longer be subject to vesting based on performance (subject to conversion into RSUs as described above in the event of a Change of Control) and the remaining 50% of the PRSUs will remain available for vesting based on the Company's performance in the Second Designated Period (with such PRSUs carried over and available referred to as the "Second Period PRSUs"). If the Company's highest Adjusted EBITDA in any Four Quarter Period during the Second Designated Period is: less than \$600 million, then no PRSUs would vest; equal to \$600 million then 66% of the Second Period PRSUs (or 33% of the original Target Shares) will be vested and the rest will be forfeited; equal to or greater than \$650 million then 100% of the Second Period PRSUs (or 50% of the original Target Shares) will be vested; and between \$600 million and \$650 million then a prorated portion will be vested and the rest will be forfeited.

Definitions and Method of Calculating Performance Metrics. The Final Award for the applicable Designated Period shall be determined pursuant to the following provisions and rules:

As used in this Appendix A:

"Adjusted EBITDA" means, for the Designated Period, the Company's "Consolidated EBITDA" for such period determined in accordance with the New Credit Facility.

"New Credit Facility." means the Credit Agreement, dated as of April 6, 2016, among the Company, certain of its subsidiaries and the lenders named therein, as in effect on the Grant Date.

Method of Calculation. Adjusted EBITDA shall be determined by the Committee based on the definitions set forth above and in accordance with U.S. generally accepted accounting principles ("GAAP") (to the extent relevant) and derived from the Company's consolidated audited financial statements for the relevant fiscal year or period or for interim periods, consolidated unaudited financial statements included in the Company's SEC filings, and in each case subject to adjustment as set forth in this Section B. However, GAAP for this purpose will be determined using the same definition of GAAP as in effect from time (including exclusions) used for the New Credit Facility (or any successor credit facility).

(iii) Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to eliminate the impact of the following items (whether or not they are adjustments from Consolidated EBITDA under the New Credit Facility):

- the effects of divestitures of businesses, or asset dispositions outside the ordinary course of business (in each case including related restructuring costs);
- labor union actions, and costs outside the ordinary course of business associated with multiemployer pension plans;
- costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or
- a separation, spin off, reorganization, liquidation, or similar corporate restructuring event affecting the Company or any of its subsidiaries and disclosed in the Company's filings with the Securities and Exchange Commission.

However, in connection with any acquisitions of businesses the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA for the acquired business. The Adjusted EBITDA adjustment will be in the same amount as the Adjusted EBITDA included in the most recent management "base case" projections on a standalone basis (that is, with no synergies) presented by the Company's management to the Board of Directors (the "Board") for its review and approval of the acquisition prior to signing the definitive agreement for the acquisition (the "Reviewed Forecast"). In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the acquisition.

In addition, in connection with any joint ventures, (i) to address the impact from changes resulting from changes in accounting for joint ventures (for example, consolidating a joint venture that was not previously consolidated) and changes in the level of ownership of an existing joint venture, the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased) by the forecasted Adjusted EBITDA resulting from the changes in accounting and changes in level of ownership set forth in a forecast prepared by management and reviewed and approved by the Audit Committee of the Board.

In addition, in connection with any sales to or other acquisitions of assets by joint ventures from the Company or its subsidiaries the Adjusted EBITDA targets for the applicable Designated Periods will be increased (but in no event decreased).

The Adjusted EBITDA adjustment will be in the same amount as the increase in Adjusted EBITDA resulting from such transaction as set forth in the most recent management “base case” projections on a standalone basis (that is, with no synergies) presented by the Company’s management to the Board for its review and approval of the transaction prior to signing the definitive agreement for the transaction. In addition Adjusted EBITDA will not include any restructuring or integration costs associated with the transaction.

In addition, acquisitions by joint ventures from third parties and sales of assets by joint ventures to third parties or the Company and its subsidiaries will be addressed as provided in the first two paragraphs of this subparagraph B(iii).

This subsection B(iii) is not intended to constitute positive discretion and does not constitute positive discretion with respect to the determination of Adjusted EBITDA.

Appendix B

Competitive Enterprises For the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo

Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella
Flex Group of Companies
Foamex
Forty Winks
Furniture Villge
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature’s Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic
Reverie
Rosen
Rowe
Saatva

Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy’s
Wayfair

TEMPUR SEALY INTERNATIONAL, INC.

2013 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award Agreement

Bhaskar Rao

This Restricted Stock Unit Award Agreement (this “Agreement”), dated as of October 13, 2017, is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below (the “Recipient”).

1. Award of Restricted Stock Units. Pursuant and subject to the Company’s Amended and Restated 2013 Equity Incentive Plan (as the same may be amended from time to time, the “Plan”), the Company grants the Recipient an award (the “Award”) for 11,969 restricted stock units (“Restricted Stock Units”), each representing the right to a share of the common stock, par value \$0.01 per share (the “Common Stock”), of the Company (the “Stock”) on and subject to the terms and conditions of this Agreement. This Award is granted as of October 13, 2017 (the “Grant Date”) and is intended to qualify as a Qualified Performance-Based Award.

2. Rights of Restricted Stock Units. If the Company declares and pays a dividend or other distribution with respect to the outstanding Common Stock (collectively “Stock Payments”) at or before the issuance of the Stock to the Recipient pursuant to Section 4(g), then the Company shall pay to the Recipient, at the time it delivers the Stock pursuant to Section 4(g) (the “Delivered Shares”), the Stock Payments that would have been paid on the Delivered Shares had they been outstanding at the time the Stock Payments were made. In no event will any Stock Payment be paid to the Recipient prior to delivery of Delivered Shares, and if the Restricted Stock Units do not vest for any reason then no Stock Payments will ever be paid with respect thereto and all rights thereto will be forfeited. Except for the contingent rights described in the preceding sentence, unless and until the vesting conditions of the Award have been satisfied and the Recipient has received the shares of Stock in accordance with the terms and conditions described herein, the Recipient shall have none of the attributes of ownership with respect to such shares of Stock.

3. Vesting Period and Rights; Taxes; and Filings.

(a) Vesting Period and Rights. The Award will vest in four equal installments on the first four anniversaries of the Grant Date (each “Vesting Date”), unless the Award terminates or vests earlier in accordance with paragraph (c) below or Section 4 or 5 hereof.

Subject to the provisions of Sections 4 and 5 below, any vesting is subject to the Recipient continuing to be employed by the Company or an Affiliate of the Company on the applicable Vesting Date. Any Restricted Stock Units that have been vested as described above are referred to herein as “Vested RSUs”.

(b) Taxes. The Recipient is required to provide sufficient funds to pay all withholding taxes. Pursuant to the Plan, the Company shall have the right to require the Recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) attributable to the Award awarded under this Agreement, including without limitation, the award or lapsing of stock restrictions on the Award. The obligations of the Company under this Agreement shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Recipient. However, in such cases Recipient may elect, subject to any reasonable administrative procedures for timely compliance established by the Committee, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold a portion of the shares of Stock to be issued under the Award to satisfy the Recipient’s tax obligations. The Recipient may only elect to have shares of Stock withheld having a Market Value on the date the tax is to be determined equal to at least the minimum statutory total withholding taxes arising upon the vesting of the Award or such higher amount approved by the Committee. If the Recipient has not submitted an election on or before the thirtieth (30) day prior to a Vesting Date, Recipient shall be deemed to have elected to have shares withheld from the shares of Stock to be issued under the Award to satisfy the Recipient’s tax obligation in an amount equal to the minimum statutory total withholding taxes. All elections shall be irrevocable, made in writing, signed by the Recipient, and shall be subject to any restrictions or limitations that the Committee deems appropriate. In addition, if shares of Stock are withheld as provided above, in lieu of issuing a fractional share of Stock as a result of such withholding the Company will pay cash to the Recipient in an amount equal to the Market Value of such fractional share.

(c) Performance Condition for Vesting. Notwithstanding anything in this Agreement to the contrary, if the Company does not achieve positive Profits for 2018, then all Restricted Stock Units (whether or not Vested RSUs) shall terminate immediately and be forfeited. The calculation of Profits is described in Appendix B hereto.

(d) Filings. The Recipient is responsible for any filings required under Section 16 of the Securities Exchange Act of 1934 and the rules thereunder.

4. Termination of Employment. If the Recipient's employment with the Company or an Affiliate of the Company terminates prior to the fourth anniversary of the Grant Date, including because the Recipient's employer ceases to be an Affiliate, the right to the Restricted Stock Units and the Stock shall be as follows:

(a) Death. If the Recipient dies, the Restricted Stock Units granted hereunder will vest immediately and the person or persons to whom the Recipient's rights shall pass by will or the laws of descent and distribution shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(b) Long-Term Disability. If the Company or an Affiliate of the Company terminates the Recipient's employment as a result of long-term disability (within the meaning of Section 409A of the Code), the Restricted Stock Units granted hereunder will vest immediately and Recipient shall be entitled to receive all of the Stock with respect thereto, subject to meeting the performance test in Section 3(c).

(c) By the Company For Cause or By the Recipient Without Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate For Cause or if the Recipient resigns or otherwise terminates his employment without Good Reason, including by any Retirement that is not an Approved Retirement or the Recipient's voluntary departure, the Recipient's right to such Restricted Stock Units and the Stock granted hereunder shall be forfeited, no Stock shall be issued and the Restricted Stock Units shall be cancelled. The terms "For Cause", "Good Reason", "Retirement" and "Approved Retirement" are defined below.

(d) By the Company Other Than For Cause or By the Recipient for Good Reason. If the Recipient ceases to be an employee of the Company or an Affiliate of the Company due to the Recipient's termination by the Company or such Affiliate other than For Cause, by his resignation for Good Reason, or due to Recipient's employer ceasing to be an Affiliate (in the absence of a Change of Control), then subject to meeting the performance test in Section 3(c), (i) if the termination occurs prior to the first Vesting Date, the Recipient shall be entitled to receive a pro rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefore, and (ii) if the termination occurs on or after the first Vesting Date, the Recipient shall be entitled to receive all the Restricted Stock Units, as and when they become vested on the applicable Vesting Date. For purposes of clause (i) of the preceding sentence, "pro rata portion" means the number of Restricted Stock Units granted multiplied by the number of full calendar months that elapsed from the Grant Date to the date of termination, divided by 12. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient's rights to the Restricted Stock Units and the Stock hereunder

shall be forfeited, expire and terminate unless (i) the Company shall have received a release of all claims from the Recipient in a form approved by the Compensation Committee (the “Committee”) of the Board of Directors (“Release and Waiver”) (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement.

(e) Approved Retirement. In the event of the Recipient’s Approved Retirement, the Committee may at its discretion consent to the continued vesting of a pro-rata portion of the Restricted Stock Units on the remaining Vesting Dates and the balance shall be cancelled and no Stock issued therefor. For this purpose, “pro-rata portion” means (i) the number of Restricted Stock Units granted multiplied by the actual number of full calendar months that elapsed from the Grant Date to the date of such Approved Retirement and then divided by 48 less (ii) the number of Restricted Stock Units already vested. Notwithstanding the foregoing, no Stock shall be issued and all of Recipient’s rights to the Restricted Stock Units and Stock hereunder shall be forfeited, expire and terminate unless (i) the Company shall have received a Release and Waiver from the Recipient (and said Release and Waiver shall have become irrevocable in accordance with its terms) prior to the next applicable Vesting Date (or if earlier, the deadline established in the form of release delivered by the Company to Recipient for execution) and (ii) the Recipient shall have complied with the covenants set forth in Section 10 of this Agreement. If the Committee shall for any reason decline to consent to continued vesting on the Recipient’s Approved Retirement, then the provisions of subsection (c) above shall instead apply.

(f) Definitions. As used in this Agreement:

(i) “Change of Control” shall have the meaning set forth in the Plan, provided, that no event or transaction shall constitute a Change of Control for purposes of this Agreement unless it also qualifies as a change of control for purposes of Section 409A of the Code;

(ii) “Employee”, “employment”, “termination of employment” and “cease to be employed,” and other words or phrases of similar import, shall mean the continued provision of substantial services to the Company or any of its Affiliates (or the cessation or termination of such services) whether as an employee, consultant or director.

(iii) “Employment Agreement” shall mean the Employment and Non-Competition Agreement, dated as of October 13, 2017, between the Company and Employee, as amended and in effect from time to time.

(iv) “For Cause” shall have the meaning assigned to such term in the Employment Agreement;

(v) “Good Reason” shall have the meaning assigned to such term in the Employment Agreement; and

(vi) “Approved Retirement” shall mean any retirement of the Recipient that the Committee determines in its sole discretion shall be treated as an “Approved Retirement” for purposes of this Agreement.

(g) Payment. In all cases, payment (i.e., issuance of the Stock and payment of any applicable Stock Payments as provided in Section 2) with respect to any Vested RSUs shall be made promptly and, in any event, within twenty (20) days following the later of (x) the applicable Vesting Date or the date of any accelerated vesting as described in Section 4(a), Section 4(b) or Section 4(d) above and (y) the determination of whether the performance goal in Section 3(c) has been met. For this purpose, Restricted Stock Units continuing to vest on account of (i) a termination of employment by the Company or its Affiliates other than For Cause, (ii) Recipient’s resignation for Good Reason, (iii) Recipient’s employer ceasing to be an Affiliate (in the absence of a Change of Control) or (iv) an Approved Retirement, shall continue to vest as provided above only if the Company has received the required Release and Waiver, but delivery of the Stock and payment of any applicable Stock Payments as provided in Section 2 on or after the next applicable Vesting Date pursuant to this paragraph (g) shall not obviate the need to comply with the covenants contained in Section 10 until the Covenant Termination Date in order to retain the Stock then delivered.

5. Change of Control Provisions. Pursuant to the Change of Control provisions of Section 9 of the Plan and notwithstanding anything herein to the contrary if a Change of Control occurs, this Agreement shall remain in full force and effect in accordance with its terms subject to the following. In the event of such Change of Control:

(a) if the Recipient’s employment is terminated by the Company or an Affiliate of the Company other than For Cause or if the Recipient resigns for Good Reason within twelve (12) months after the occurrence of a Change of Control, all of the Recipient’s Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled

to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of such termination of employment; and

(b) if the Restricted Stock Units are not assumed, converted or replaced by a successor organization following such Change of Control, all of the Recipient's Restricted Stock Units shall immediately vest as of such date and Recipient shall be entitled to receive all of the Stock promptly and, in any event, within twenty (20) days after the date of the Change of Control.

(c) The Company (or any successor organization) may require the Recipient to enter into a restricted stock unit award agreement that replaces this Agreement and reflects the terms described above.

6. Other Provisions.

(a) This Award of Restricted Stock Units does not give the Recipient any right to continue to be employed by the Company or any of its Affiliates, or limit, in any way, the right of the Company or its Affiliates to terminate the Recipient's employment, at any time, for any reason not specifically prohibited by law.

(b) The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer of any shares of Stock due to the Recipient upon the Vesting Date (or, if vesting of the Restricted Stock Units is accelerated pursuant to Section 4 or 5, such earlier date) with respect to vested Restricted Stock Units which results from the inability of the Company to obtain, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of common stock of the Company if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such shares. Acceptance of this Award constitutes the Recipient's agreement that the shares of Stock subsequently acquired hereunder, if any, will not be sold or otherwise disposed of by the Recipient in violation of any applicable securities laws or regulations.

(c) The Award, the Restricted Stock Units and entitlement to the Stock are subject to this Agreement and Recipient's acceptance hereof shall constitute the Recipient's agreement to any administrative regulations of the Committee of the Board. In the event of any inconsistency between this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

(d) All decisions of the Committee upon any questions arising under the Plan or under these terms and conditions shall be conclusive and binding, including, without

limitation, those decisions and determinations to adjust the Restricted Stock Units made by the Committee pursuant to the authority granted under Section 8.4(d) of the Plan.

(e) Except as provided in Section 6.4 of the Plan, no right hereunder related to the Award or these Restricted Stock Units and no rights hereunder to the underlying Stock shall be transferable (except by will or the laws of descent and distribution) until such time, if ever, that the Stock is earned and delivered.

7. Incorporation of Plan Terms. This Award is granted subject to all of the applicable terms and provisions of the Plan, including but not limited to Section 8 of the Plan, “Adjustment Provisions”, and the limitations on the Company’s obligation to deliver Stock upon vesting set forth in Section 10 of the Plan, “Settlement of Awards”. Capitalized terms used but not defined herein shall have the meaning assigned under the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the provisions of the Plan shall control.

8. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof and shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian, or other legal representative of the Recipient. This Agreement may be executed in one or more counterparts all of which together shall constitute one instrument.

9. Tax Consequences.

(a) The Company makes no representation or warranty as to the tax treatment of this Award, including upon the issuance of the Stock or upon the Recipient’s sale or other disposition of the Stock. The Recipient should rely on his own tax advisors for such advice. Notwithstanding the foregoing, the Recipient and the Company hereby acknowledge that both the Recipient and the Company may be subject to certain obligations for tax withholdings, social security taxes and other applicable taxes associated with the vesting of the Restricted Stock Units or the Stock by the Recipient pursuant to this Agreement. The Recipient hereby affirmatively consents to the transfer between his or her employer and the Company of any and all personal information necessary for the Company and his employer to comply with its obligations.

(b) All amounts earned and paid pursuant to this Agreement are intended to be paid in compliance with, or on a basis exempt from, Section 409A of the Code. This Agreement, and all terms and conditions used herein, shall be interpreted and construed

consistent with that intent. However, the Company does not warrant all such payments will be exempt from, or paid in compliance with, Section 409A. The Recipient bears the entire risk of any adverse federal, state or local tax consequences and penalty taxes which may result from payments made on a basis contrary to the provisions of Section 409A or comparable provisions of any applicable state or local income tax laws.

10. Certain Remedies.

(a) If at any time prior to the later of (y) the last day of the two (2) year period after termination of the Recipient's employment with the Company and its Affiliates and (z) the last Vesting Date (the later of such days being the "Covenant Termination Date"), any of the following occur:

(i) the Recipient unreasonably refuses to comply with lawful requests for cooperation made by the Company, its board of directors, or its Affiliates;

(ii) the Recipient accepts employment or a consulting or advisory engagement with (A) any Competitive Enterprise (as defined in Section 10(c)) of the Company or its Affiliates, or (B) any Significant Retailer (as defined in Section 10(d)), or the Recipient otherwise engages in competition with the Company or its Affiliates;

(iii) the Recipient acts against the interests of the Company and its Affiliates, including recruiting or employing, or encouraging or assisting the Recipient's new employer to recruit or employ an employee of the Company or any Affiliate without the Company's written consent;

(iv) the Recipient fails to protect and safeguard while in his possession or control, or surrender to the Company upon termination of the Recipient's employment with the Company or any Affiliate or such earlier time or times as the Company or its board of directors or any Affiliate may specify, all documents, records, tapes, disks and other media of every kind and description relating to the business, present or otherwise, of the Company and its Affiliates and any copies, in whole or in part thereof, whether or not prepared by the Recipient;

(v) the Recipient solicits or encourages any person or enterprise with which the Recipient has had business-related contact, who has been a customer of the Company or any of its Affiliates, to terminate its relationship with any of them;

(vi) the Recipient takes any action or makes any statement, written or oral, that disparages the business, products, services or management of Company or its

Affiliates, or any of their respective directors, officers, agents, or employees, or the Recipient takes any action that is intended to, or that does in fact, damage the business or reputation of the Company or its Affiliates, or the personal or business reputations of any of their respective directors, officers, agents, or employees, or that interferes with, impairs or disrupts the normal operations of the Company or its Affiliates; or

(vii) the Recipient breaches any confidentiality obligations the Recipient has to the Company or an Affiliate, the Recipient fails to comply with the policies and procedures of the Company or its Affiliates for protecting confidential information, the Recipient uses confidential information of the Company or its Affiliates for his own benefit or gain, or the Recipient discloses or otherwise misuses confidential information or materials of the Company or its Affiliates (except as required by applicable law); then

(1) this Award shall terminate and be cancelled effective as of the date on which the Recipient entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Agreement or the Plan;

(2) any Stock acquired and held by the Recipient pursuant to the Award during the Applicable Period (as defined below) may be repurchased by the Company at a purchase price of \$0.01 per share; and

(3) any after-tax proceeds realized by the Recipient from the sale of Stock acquired through the Award during the Applicable Period or realized from the receipt of Stock Payments pursuant to Section 2 shall be paid by the Recipient to the Company.

(b) The term “Applicable Period” shall mean the period commencing on the later of the date of this Agreement or the date which is one (1) year prior to the Recipient’s termination of employment with the Company or any Affiliate and ending on the Covenant Termination Date.

(c) The term “Competitive Enterprise” shall mean a business enterprise that engages in, or owns or controls a significant interest in, any entity that engages in, the manufacture, sale or distribution of mattresses or pillows or other bedding products or other products competitive with the Company’s products. Competitive Enterprise shall include, but not be limited to, the entities set forth on Appendix A hereto, which may be amended by the Company from time to time upon notice to the Recipient. At any time the Recipient may request in writing that the Company make a determination whether a particular enterprise is a Competitive Enterprise. Such determination will be made within fourteen (14) days after the

receipt of sufficient information from the Recipient about the enterprise, and the determination will be valid for a period of ninety (90) days from the date of determination.

(d) The term “Significant Retailer” means those retailers identified in Appendix A hereto under the heading “RETAILERS.” The Recipient acknowledges that the Significant Retailers may now or in the future compete directly or indirectly with the Company, and that, whether or not a Significant Retailer competes directly with the Company, the Recipient because of his knowledge of the industry and his knowledge of confidential information about the Company’s commercial relationships with many large retailers, including one or more of the Significant Retailers, could damage the Company’s competitive position and business if he worked with a Significant Retailer in any of the capacities described above.

11. Right of Set Off. By executing this Agreement, the Recipient consents to a deduction from any amounts the Company or any Affiliate owes the Recipient from time to time, to the extent of the amounts the Recipient owes the Company under Section 10 above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Recipient to the extent that the exercise of such set-off right would violate any applicable law. If the Company does not recover by means of set-off the full amount the Recipient owes the Company, calculated as set forth above, the Recipient agrees to pay immediately the unpaid balance to the Company upon the Company’s demand.

12. Nature of Remedies.

(a) The remedies set forth in Sections 10 and 11 above are in addition to any remedies available to the Company and its Affiliates in any non-competition, employment, confidentiality or other agreement, and all such rights are cumulative. The exercise of any rights hereunder or under any such other agreement shall not constitute an election of remedies.

(b) The Company shall be entitled to place a legend on any certificate evidencing any Stock acquired upon vesting of this Award referring to the repurchase right set forth in Section 10(a) above. The Company shall also be entitled to issue stop transfer instructions to the Company’s stock transfer agent in the event the Company believes that any event referred to in Section 10(a) has occurred or is reasonably likely to occur.

13. Clawback Policy. The Recipient acknowledges receipt of a copy of the Company’s Clawback Policy, and acknowledges and agrees that all shares of stock issued under this Agreement will be subject to the Clawback Policy or any amended version thereof and any other clawback policy adopted by the Board of Directors of the Company, in each case to the extent the Clawback Policy or any other clawback policy applies by its terms to the Recipient.

By accepting this Award, the Recipient agrees that he is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to the Clawback Policy or any such other clawback policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from the Recipient's accounts, or pending or future compensation or Awards.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this Restricted Stock Unit Award Agreement as a sealed instrument as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: /s/ Carmen Dabiero
Name: Carmen Dabiero
Title: Senior Vice President, Human Resources

RECIPIENT

/s/ Bhaskar Rao
Recipient signature

Bhaskar Rao
Name of Recipient

Competitive Enterprises of the Company and its Affiliates

Ace
AH Beard
Auping
Ashley Sleep
Aviya
Bedshed
Better Bed
Bohus
Botafogo
Boyd
Bruno
Carpe Diem
Carpenter
Carolina Mattress
Casper
Cauval Group
Chaide & Chaide
Classic Sleep Products
Coin
Colunex
Copel
Comforpedic
Comfort Group
Comfort Solutions
COFEL group
Correct
De Rucci
Diamona
Doremo Octaspring
Dorelan
Dreams
Drommeland
Dunlopillo
Duxiana
Eastborne
El Corte Ingles
Eminflex
Englander
Eve
Falafella

Flex Group of Companies

Foamex
Forty Winks
Furniture Village
France Bed
Future Foam
Harrisons
Harvey Norman Group
Hastens
Helix Sleep
Hilding Anders Group
Hyundai Retail Group
Hypnos
IBC
Jysk Group
KayMed
King Koil
Kingsdown
Koala
Lady Americana
Land and Sky
Leesa Sleep
Leggett & Platt
Lo Monaco
Lotte Retail Group
Luna
Lutz Group
Magniflex
Metzler
Myers
Nature's Sleep (GhostBed)
Optimo
Ortobom
Per Dormire
Purple, Inc.
Natura
Natures Rest
Park Place
Permaflex
Pikolin Group
Recticel Group
Relyon
Restonic
Reverie
Rosen
Rowe
Saatva

Sapsa Bedding
Select Comfort
Serta and any direct or indirect parent company
Silentnight
Simba
Simmons Company/Beautyrest and any direct or indirect parent company
Sinomax
Sleep Innovations
Sleepmaker
Spring Air
Steinhoff
Sterling
Stobel
Swiss Comfort
Swiss Sense
Tediber
Therapedic
Tuft and Needle
Whisper

RETAILERS

Ashley
Innovative Mattress Solutions
Mattress Firm/Steinhoff
Sleepy's
Wayfair

PERFORMANCE METRICS FOR THE AWARD

DETERMINATION OF FINAL AWARD

(a) *Target Based on Positive Profits.* 100% of the Restricted Stock Units will be forfeited if the Company does not achieve positive Profits (i.e. greater than zero) for the year ended December 31, 2018. Any Restricted Stock Units not forfeited will remain subject to the vesting provisions of Section 3 and the provisions of Section 4 of the Agreement.

(b) *Definitions and Method of Calculating Performance Metrics.* Whether the Performance Metric has been met shall be determined pursuant to the following provisions and rules:

As used in this Appendix B:

Profits: means, for 2018, the Company's consolidated income before income taxes for 2018, determined in accordance with generally accepted accounting principles and derived from the Company's audited consolidated financial statements for 2018 as included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission, in each case subject to adjustment as set forth in this paragraph (b).

Mandatory Adjustments: The Compensation Committee shall be required to make adjustments to the targets set forth in paragraph (a) above to exclude the effects of acquisitions or divestitures of businesses, or asset acquisitions or dispositions outside the ordinary course of business (including costs to restructure or integrate the newly acquired business or assets); labor union actions; effects of changes in tax laws; effects of changes in accounting principles; costs associated with the financing, refinancing or prepayment of debt, or recapitalization or similar event affecting the capital structure of the Company; or a merger, consolidation, acquisition of property or shares, separation, spin off, reorganization, stock rights offering, liquidation, or similar event affecting the Company or any of its Subsidiaries.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bhaskar Rao, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2017 of Tempur Sealy International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

By: /s/ BHASKAR RAO

Bhaskar Rao
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Tempur Sealy International, Inc. (the “Company”), that, to his knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 9, 2017

By: /s/ SCOTT L. THOMPSON

Scott L. Thompson
Chairman, President and Chief Executive Officer

Date: November 9, 2017

By: /s/ BHASKAR RAO

Bhaskar Rao
Executive Vice President and Chief Financial Officer