

TEMPUR SEALY INTERNATIONAL, INC., TPX



“We continue to demonstrate the resilience of our business model as we generate profits, invest in our business, return capital to shareholders, and outperform the market. The team remains focused on delivering on our initiatives to drive continued success.”

PURPOSE

To Improve the Sleep of More People, Every Night, All Around the World

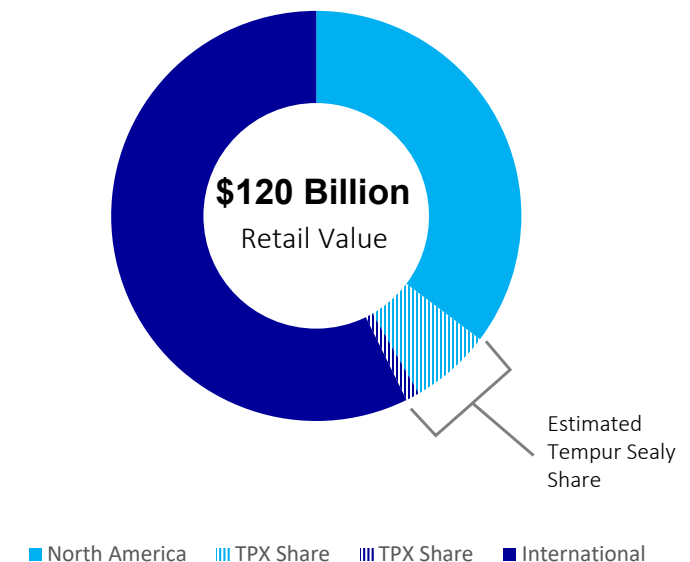
Who We Are

Tempur Sealy is committed to improving the sleep of more people, every night, all around the world. As a leading designer, manufacturer, distributor and retailer of bedding products worldwide, we know how crucial a good night of sleep is to overall health and wellness. Utilizing over a century of knowledge and industry-leading innovation, we deliver award-winning products that provide breakthrough sleep solutions to consumers in over 100 countries.

Our highly recognized brands include Tempur-Pedic®, Sealy® and Stearns & Foster® and our popular non-branded offerings consist of value-focused private label and OEM products. At Tempur Sealy we understand the importance of meeting our customers wherever and however they want to shop and have developed a strong omni-channel retail strategy. Our products allow for complementary merchandising strategies and are sold through third-party retailers, our 650+ Company-owned stores worldwide and our e-commerce channels. With the range of our offerings and variety of purchasing options, we are dedicated to continuing to turn our mission to improve the sleep of more people, every night, all around the world into a reality.

Importantly, we are committed to carrying out our global responsibility to protect the environment and the communities in which we operate. As part of that commitment, we have established the goal of achieving carbon neutrality for our global wholly owned operations by 2040.

Global Bedding Industry¹

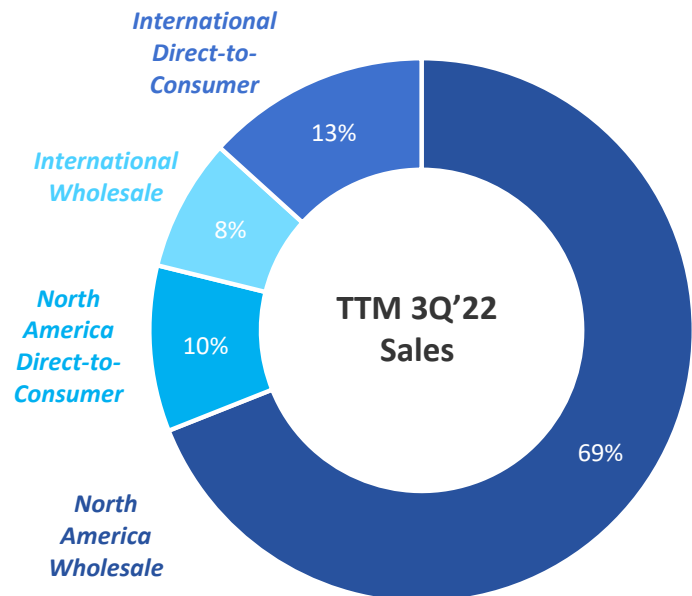


Estimated global bedding market includes mattresses, foundations, pillows and other bedding products

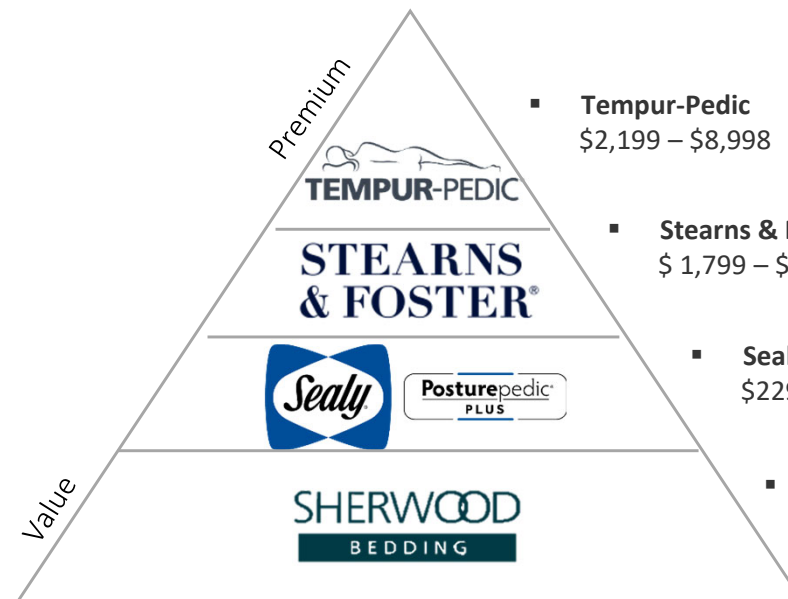
A Premium Leader in a Growing Bedding Industry

- Headquartered in Lexington, KY, Tempur Sealy International, Inc is the leading global bedding products company, with a portfolio of iconic brands including Tempur-Pedic, Sealy and Stearns & Foster
- TPX manufacturers mattresses, pillows and related accessories across a variety of price points and distributes its products through multiple channels, including third-party brick & mortar retailers, its owned website and third-party online platforms, as well as its company-owned stores
- TPX focuses on premium bedding with its Tempur-Pedic and Stearns & Foster brands

Revenue by Type



Brand Portfolio



▪ Tempur-Pedic
\$2,199 – \$8,998



▪ Stearns & Foster
\$ 1,799 – \$6,449



▪ Sealy
\$229 – \$3,499



▪ Private Label

TPX at a Glance

Industry

- The global bedding industry of ~\$120 billion¹ has historically experienced consistent growth.
- The U.S. bedding averages mid-single digit growth annually, driven by units and dollars.¹
- The international bedding is highly fragmented and about 40% larger than the size of the U.S. market.¹

Consumer

- Consumers continue to make the connection between a good night's sleep and health & wellness.
- Enhanced focus on health over the past year has strengthened the health & wellness trend.
- Consumer confidence, consumer spending, the housing market, and the wealth effect correlate to the bedding industry.

Tempur Sealy

- Global omni-channel distribution strategy to be where the consumer wants to shop.
- Track record of developing and marketing differentiated products through consumer-centric innovation for the total global bedding market.
- Robust free cash flow² and fortified balance sheet that provide flexibility to take advantage of industry and market opportunities and return capital to shareholders.

Investment Thesis

A leading premium global bedding manufacturer with strengths in branding and vertical integration

U.S. bedding industry has consistently grown over the long term as consumers lean into more premium products that aid sleep and health

Drives above industry growth across wholesale and DTC with expansion opportunities in under-penetrated areas

History of strong value creation via capital allocation including share buybacks and highly accretive large and small-scale acquisitions

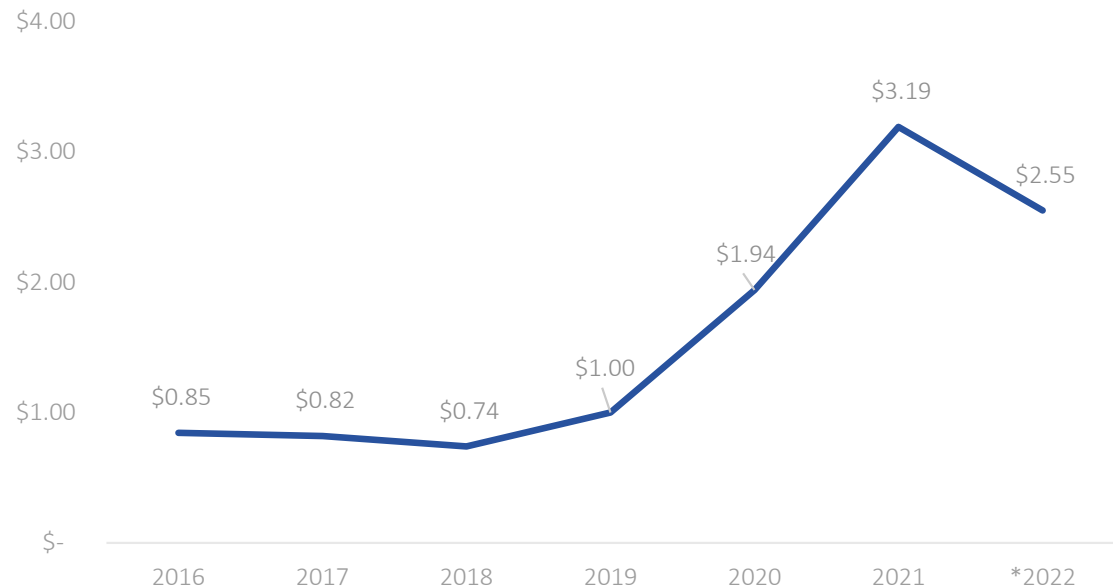
Well-aligned management with proven track record

Competitive Advantages

- Worldwide omni-channel presence
- Iconic brand and product portfolio
- World-class manufacturing capabilities
- Industry-leading balance sheet and free cash flow²



Full Year Adjusted EPS²



Adjusted earnings per share² is expected to grow at a CAGR of 20% between 2016-2022

*2022 adjusted EPS based on the midpoint of Tempur Sealy's full year guidance

Product and Retail Brands



Product Brands

Mattresses / Pillows / Accessories



**STEARNS
& FOSTER®**

**SHERWOOD
BEDDING**



DTC Retailer Brands

Online / Offline



Dreams



**STEARNS
& FOSTER®**



Sleep Boutique
Experience the benefits of superior sleep



TEMPUR+SEALY

Strategic Advantages



Portfolio of Global Brands

- From its founding, Tempur-Pedic pursued a direct advertising strategy that touted the clear benefits of its proprietary Tempur material, creating a luxury aura – generating strong same sales velocity in premium products.
- Over the last 15 years, Tempur-Pedic spent ~\$2B on direct advertising, significantly more than other top brands in the category. The premium brand that was built through direct advertising and R&D allows for sustainable ROICs well above traditional mattress peers.



Tempur-Pedic®: leading worldwide premium bedding brand

- Tempur-Pedic® uniquely adapts, supports, and aligns to you to deliver truly life-changing sleep.
\$2,199-\$8,998

Stearns & Foster®: high-end-targeted brand

- The world's finest beds that are made with exceptional materials, time-honored craftsmanship, and impeccable design.
\$1,799-\$6,499

Sealy®: #1 bedding brand in the U.S.³

- Combines innovation, engineering, and industry-leading testing to ensure quality and durability.
\$229-\$3,499

Private Label Offerings: customized product

- Offers products for the value-oriented consumer.

World-Class Manufacturing Capabilities

31 NORTH AMERICAN FACILITIES | 38 INTERNATIONAL FACILITIES



R&D Innovation

- 75,000 square feet of research & development
- 4 state-of-the-art product-testing locations

Leading Manufacturing Capabilities

- 69 manufacturing facilities
- 16 million square feet of manufacturing & distribution operations

Successful Omni-Distribution Platform

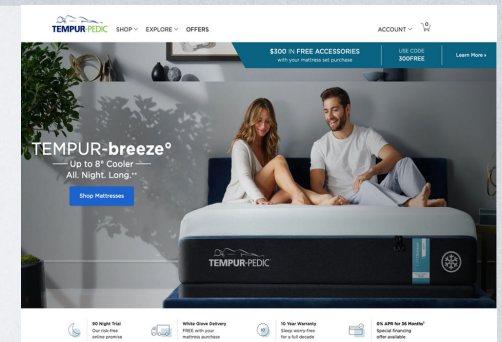
Wholesale

- Third-party retailers are our largest distribution channel
- Significant private label opportunity
- Valued supplier, win-win relationships



Ecommerce

- Significant worldwide sales growth
- Highly profitable and expanding rapidly
- Direct customer relationships



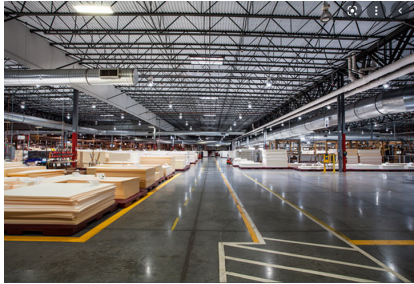
Company-Owned Stores

- Luxury Tempur-Pedic®, Dreams, and multi-branded showroom experiences
- Operate over 650 stores worldwide and expanding direct customer relationships
- Highly profitable



Vertical Integration

Owned Manufacturing



Tempur-Pedic manufacturing



Sealy / S&F manufacturing

**SHERWOOD
BEDDING**

Private label manufacturing



Dreams manufacturing

Portfolio of Owned Brands

Portfolio of owned brands

TEMPUR-PEDIC®



**STEARNS
& FOSTER®**



**Posturepedic®
PLUS**

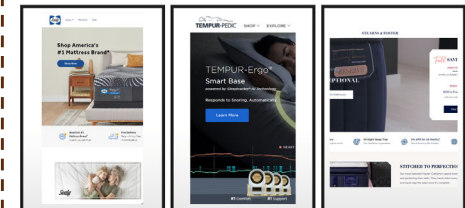
Brick & Mortar & E-Commerce Retail



Mono-brand retail



Multi-brand retail



E-commerce

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Growth Potential



Building Blocks to Future Growth



Invest in innovation to meet customer demand.

Grow wholesale through existing and new retail relationships.

Expand into OEM market to drive further sales growth.

Invest in Stearns & Foster product and marketing to more than double the brand's global sales.

Expand direct-to-consumer through ecommerce and company-owned stores.

Increase total addressable market internationally through new product launches in Europe & APAC.

Execute on capital allocation strategy.



Innovative Technologies



Snoring



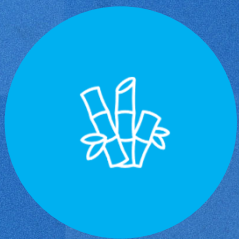
Support



Climate



**Sleep-Health
Metrics**



Natural



Comfort

Wholesale

Third-Party Retailers

- Win-win relationships
- Broad-based worldwide distribution and broadly diversified
- Over 5,400 retail partners around the world selling through over 25,000 doors and ecommerce platforms
- Global sales force of over 500 people supporting our portfolio of brands



U.S. OEM Opportunity

- OEM is about 20% of the U.S. mattress market and growing,¹ supported by recent U.S. anti-dumping actions
- Leverages manufacturing expertise, diversifies global sales stream, and extends manufacturing profits beyond our own brands
- Plans to invest an incremental \$200 million by 2023 to increase U.S. pouring capacity for TEMPUR® material and specialty and conventional foams by approximately 50%
- Targeting \$600 million of annual sales by 2025

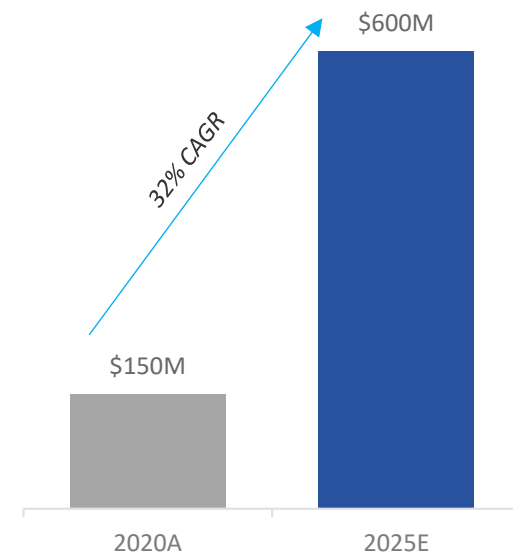


OEM Expansion

- Expanded into OEM market through the acquisition of Sherwood Bedding in 2020; a 3rd generation American manufacturer of private label innerspring mattresses, subsequently began exploring opportunities to leverage foam-pouring capabilities to manufacture private label foam mattresses
- Our OEM business leverages global manufacturing expertise, diversifies sales streams and realizes the manufacturing profits of the bedding brands it produces
- Opportunity to serve as a provider for third-party bedding brands (including retailers' private label brands) at value-end price points
- Expected to drive down overall cost per unit
- Opportunity to grow our OEM business to \$600M in annualized sales by 2025



OEM Sales Opportunity



Stearns & Foster Opportunity

Channel Investments

- Expanding Stearns & Foster presence through new e-commerce platform launched in 2Q'22

Marketing Investments

- Supporting Stearns & Foster with record advertising in 2022

Product Investments

- Launching new, innovative Stearns & Foster products in 4Q'22



Opportunity to grow Stearns & Foster
to be our next

\$1 BILLION BRAND,
more than doubling its size today

Stearns & Foster Opportunity

- With more than 175 years of history, Stearns & Foster is a meaningful brand and can become the luxury leader in innerspring beds and grow to be our next billion-dollar brand
- After years of no direct advertising, Stearns & Foster began spending in 2021 and accelerated in 2022 – designed to increase consumer’s awareness and desire to purchase a premium innerspring mattress
 - S&F can target the \$2,000 - \$6,499 ASP range in innerspring, a historically underserved opportunity

Dual-Approach to Luxury Bedding

Leading Luxury
Specialty Foam Brand

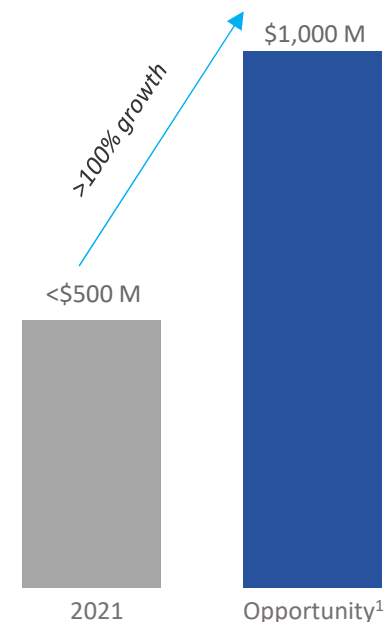


Portfolio Midpoint
\$3,649

Leading Luxury
Innerspring Brand

STEARNS & FOSTER®

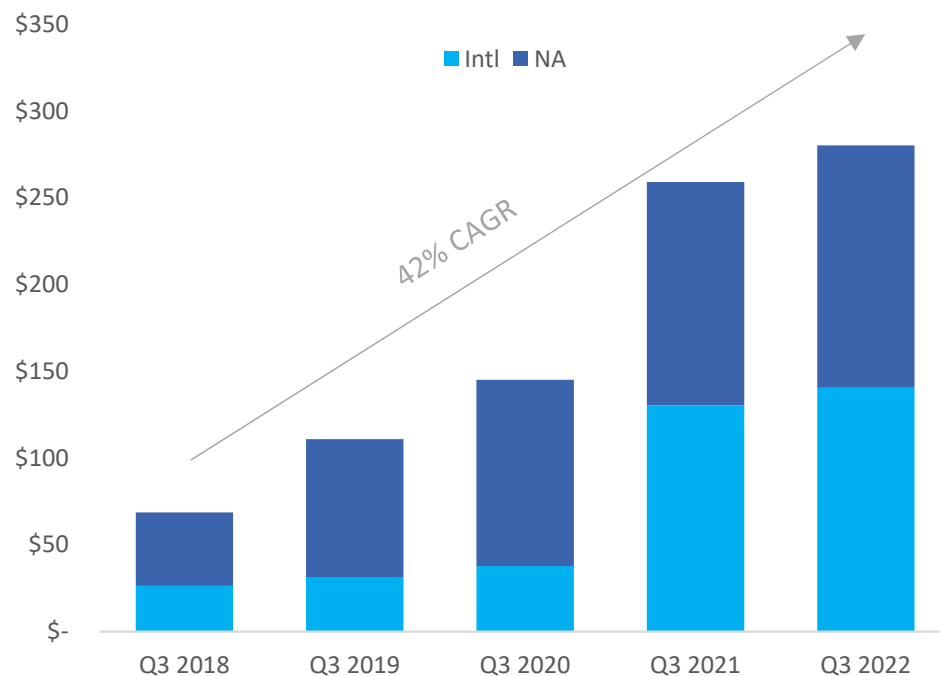
Portfolio Midpoint
\$3,299



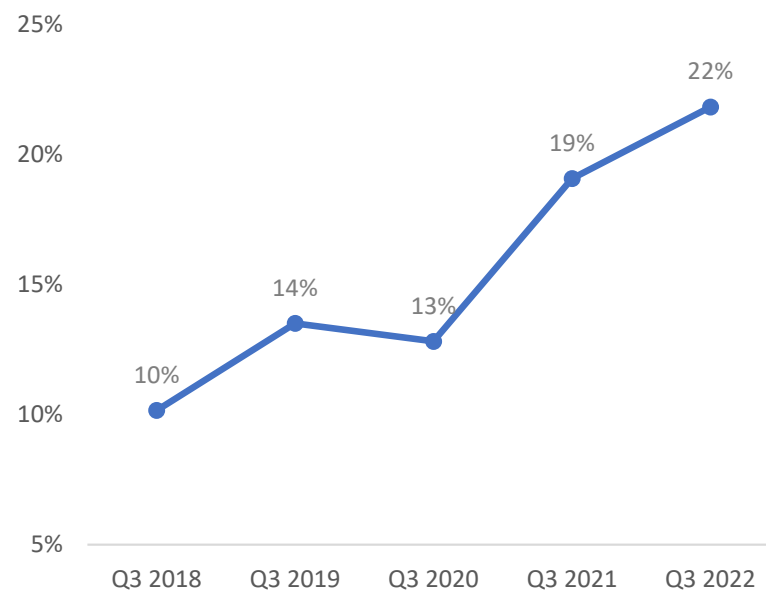
Direct to Consumer

- Strong, long-term growth of high-margin sales from web, call center, and company-owned stores.
- Ability to own customer relationship allows for market insights that we leverage for innovation process and growth strategy

Global Direct Sales



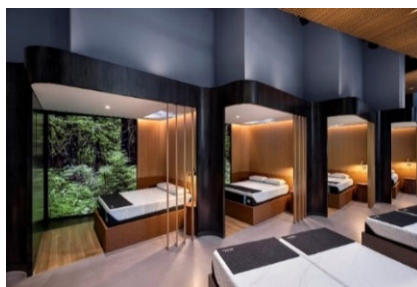
Direct Channel Sales as a Percentage of Total Sales



OPERATING OVER 650 RETAIL STORES GLOBALLY

Company-Owned Store Strategy

Tempur-Pedic® U.S.



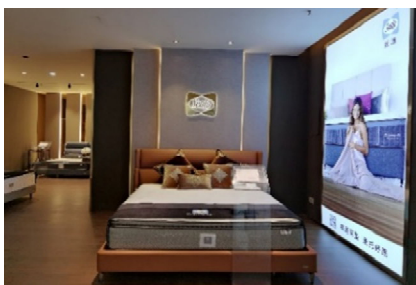
Dreams UK



Tempur-Pedic® Mexico



Sealy® Gallery Asia



Sleep Outfitters® U.S.



TEMPUR® Europe



SOVA® Sweden



We see a potential opportunity to organically increase our store count through opening an average of 60+ new stores per year.

International Markets

- Highly fragmented with broad geographic diversity across Europe and Asia
- Acquired Dreams, the leading bedding retailer in the UK in 2021
- Developing new TEMPUR® line of mattresses to expand addressable market in 2023
- Tempur Sealy customizes approach by country
 - Europe: success with high-quality products, targeting growth through distribution, and new Sealy®-UK joint venture and Dreams acquisition
 - Asia: opportunity in emerging area through distribution and organic sales growth initiatives



Rapidly Growing International Joint Ventures

\$340 MILLION OF JOINT VENTURE SALES IN 2021
5-YEAR GROWTH CAGR: 17%



United Kingdom

- Acquired in 2020
- Full-time employees: 250+

Asia

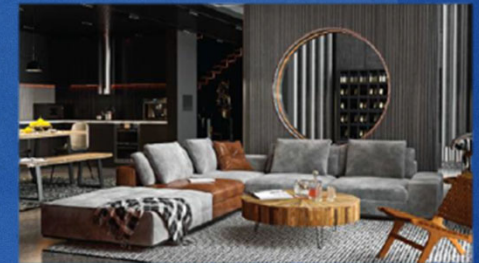
- Founded in 2000
- Operates in 21 countries and territories
- Top 3 internationally branded bedding manufacturer in China
- Full-time employees: 1,100+



Expanding Global Licensing Sales

Brand Extension Licensees:

- We license our Tempur-Pedic, Sealy and Stearns & Foster brands across North America, Europe and Asia, to drive incremental profits and expand brand awareness
- Licensed products are complementary to our core operations and include sleep-adjacent categories such as bedding, pajamas, and pet sleep



Sealy Manufacturing Licensees:

- Our 27 licensee manufacturing facilities generate high return on investment
- They represent a low-risk opportunity to introduce our brands and products in regions in which we do not currently operate, primarily across EMEA, APAC, and Latin America

**Significantly increases global brand awareness
and drives incremental profits**

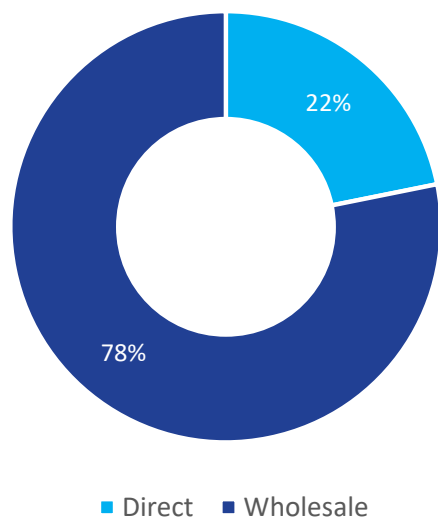
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Recent Performance



Third Quarter and Trailing Twelve Month Performance

Q3'22 Sales by Channel

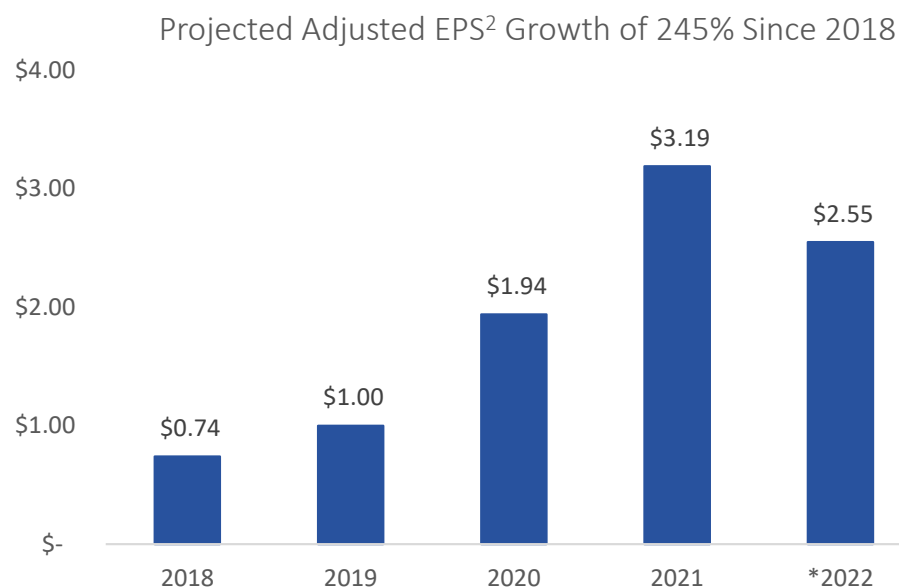


(in millions, except percentages and per common share amounts)	Three Months Ended			Trailing Twelve Months Ended		
	September 30, 2022	September 30, 2021	% Change	September 30, 2022	September 30, 2021	% Change
Net Sales	\$1,283.3	\$1,358.3	-5.5%	\$5,093.4	\$4,628.2	10.1%
Net Income	\$132.7	\$177.4	-25.2%	\$529.8	\$593.4	-10.7%
Adjusted Net Income²	\$137.8	\$179.6	-23.3%	\$547.6	\$618.9	-11.5%
EPS	\$0.75	\$0.87	-13.8%	\$2.83	\$2.85	-0.7%
Adjusted EPS²	\$0.78	\$0.88	-11.4%	\$2.93	\$2.98	-1.7%

In 3Q'22, we reported 56% growth in sales and 140% growth in adjusted EPS compared to 3Q'19, a pre-Covid period

2022 Outlook¹

Expect full-year adjusted EPS between \$2.50 and \$2.60



Our 2022 expectations include:

- Approximately \$30 million in expense related to new product launches
- Significant one-time investments in capacity, ahead of normal annualized capex of \$150M
- Operational investments to service our customers
- Record advertising investments
- Repurchasing at least 10% of our shares outstanding

Other Modeling Assumptions	
Depreciation & Amortization	~\$180M
Capital Expenditures	\$275M - \$300M
Interest Expense	~\$100M
U.S. Federal Tax Rate	~23.5%
Diluted Share Count	180M shares

*2022 EPS based on the midpoint of Tempur Sealy's full year guidance

Experienced Team's Value Creation

- Since management change in 2015, sales have increased more than 60%, adjusted EBITDA² has more than doubled, and adjusted EPS² has increased more than 2.5x under current management leadership

Current TPX Management Track Record Since 2015				
(in millions, except percentages, multiples, and per common share amounts)	Tailing Twelve Months Ended December 31, 2015	Tailing Twelve Months Ended September 30, 2022	CAGR	Total Growth
Net Sales	\$3,151	\$5,093	7%	62%
Adjusted EBITDA²	\$400	\$987	14%	147%
Adjusted Net Income²	\$200	\$547	15%	174%
Sharecount	246	177	-5%	-28%
Adjusted EPS²	\$0.80	\$2.93	20%	266%

Flexible Cost Structure¹

Cost of Goods Sold Variability

Variable 85%

Fixed 15%

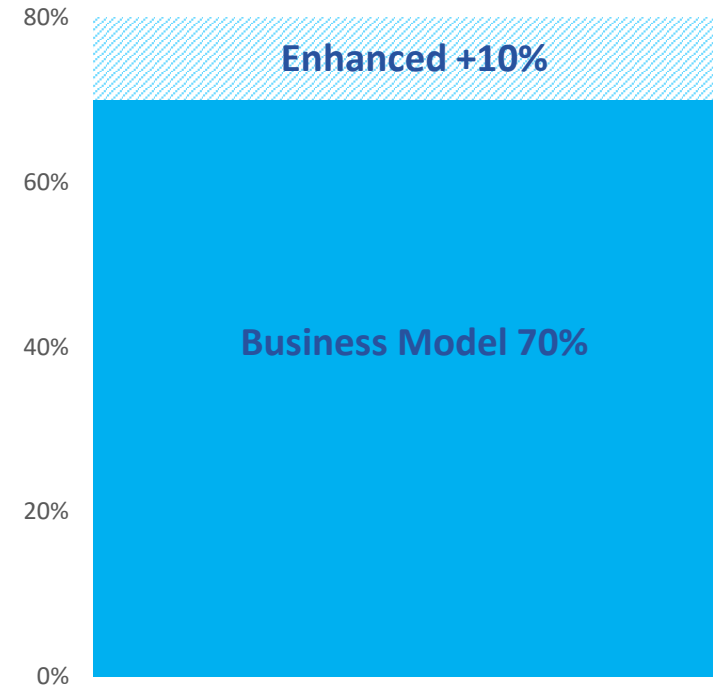
Operating Expense Variability

Variable 45%

Fixed 55%

- The business model is highly-variable, with 85% of COGS and 45% of operating expenses flexing with sales
- In total, the variability of our operating cost structure is approximately 70%
- Our business model also provides opportunity for costs to further flex with sales

80% Total Cost Variability



- Including discretionary cost cuts, we estimate a total of 80% of expenses could flex with sales



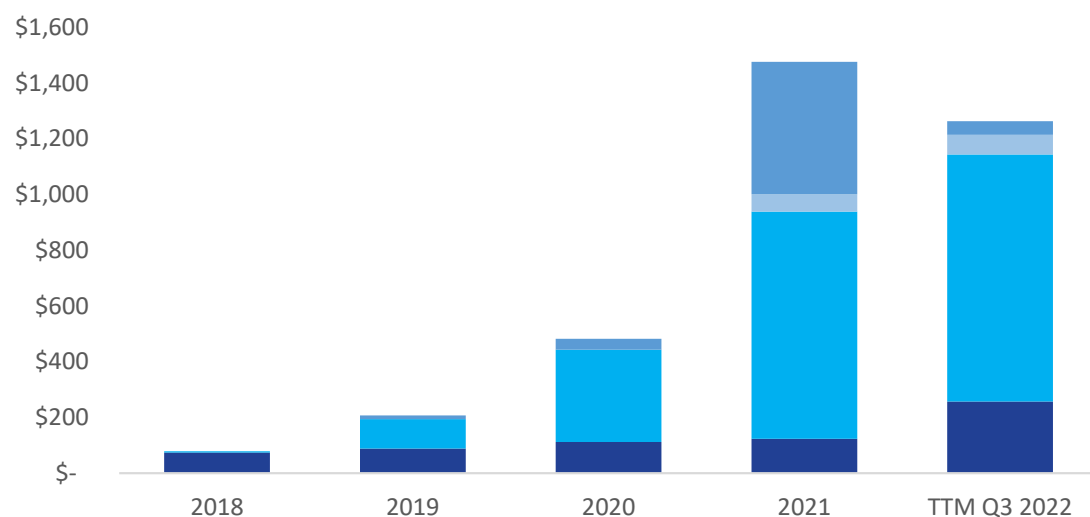
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Leading Balance Sheet & Cash Flow

Balanced Capital Allocation Strategy

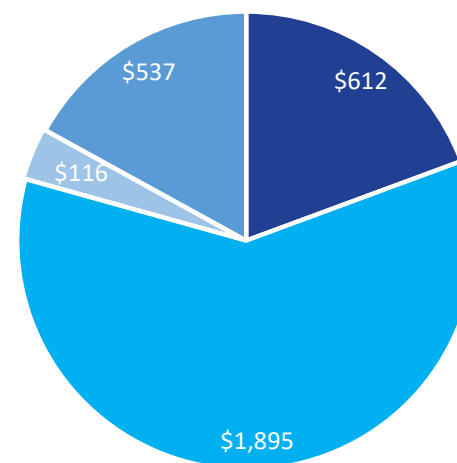
- Long-term target leverage ratio of 2.0 – 3.0x²
- Continue to invest in the business, including a new domestic foam-pouring plant to be operational in 2023
- Disciplined approach to shareholder returns includes a quarterly dividend and expected repurchase of at least 10% of our shares outstanding in 2022
- Maintain capacity for strategic acquisitions

Capital Allocation



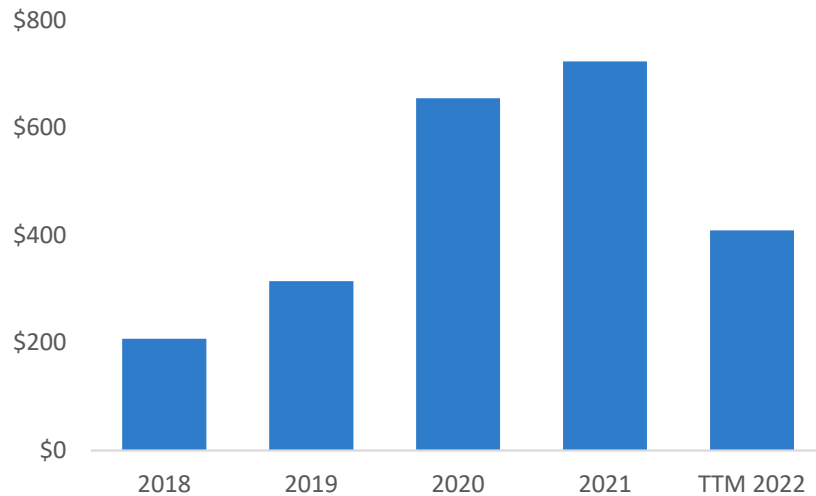
■ Capex ■ Share Repurchases ■ Dividend ■ Acquisitions & Investments

Allocated Over \$3B Since 2018

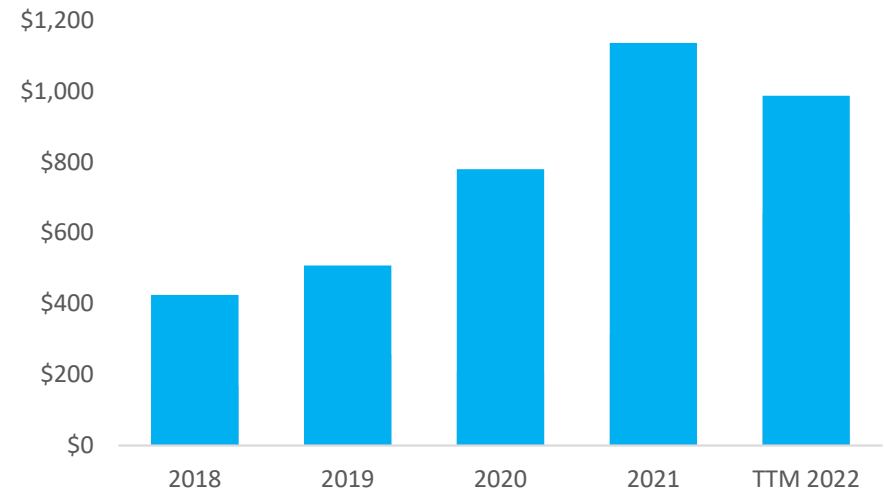


Strong Balance Sheet & Cash Flow

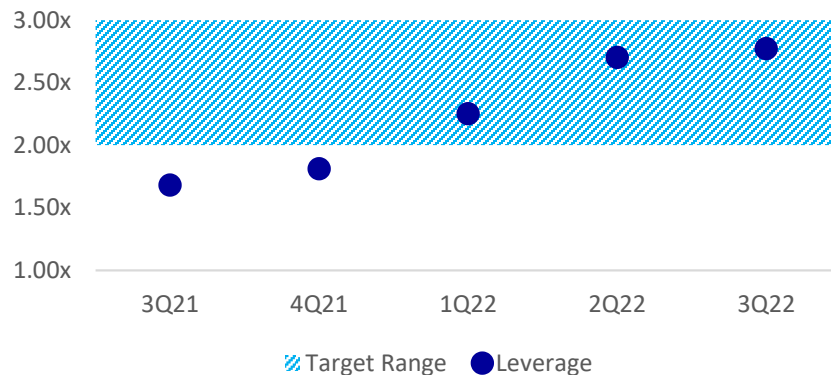
Full-Year Operating Cash Flow



Full-Year Adjusted EBITDA²



Leverage²



Credit ratings:

Fitch: BB+ (August 2021)

Moody's: Ba1 (September 2021)

S&P: BB+ (September 2021)

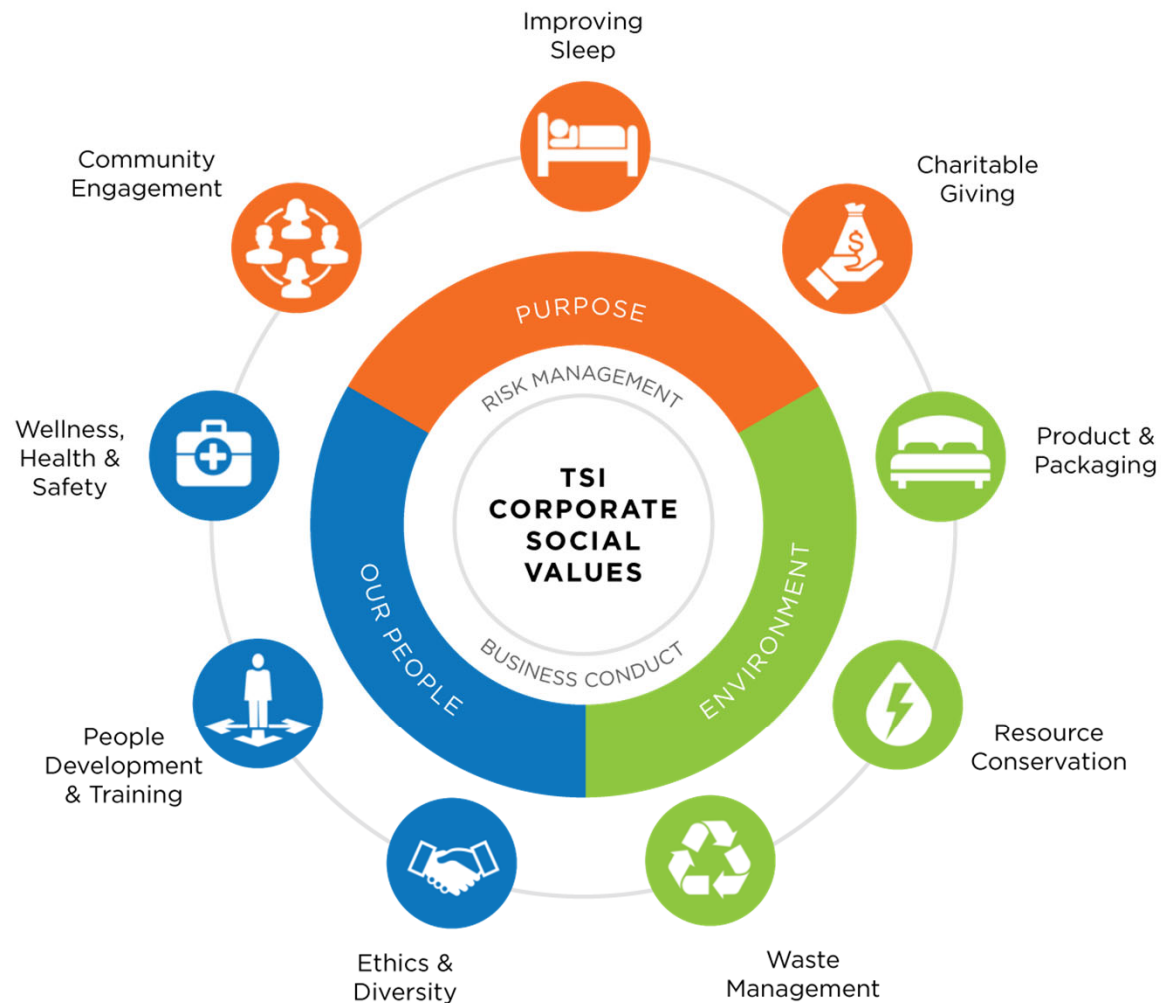


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Environmental, Social, & Corporate Governance

Environmental, Social, & Governance

Tempur Sealy is committed to protecting and improving our communities and environment.



Environmental, Social, & Governance

Tempur Sealy is committed to protecting and improving our communities and environment.

Environmental

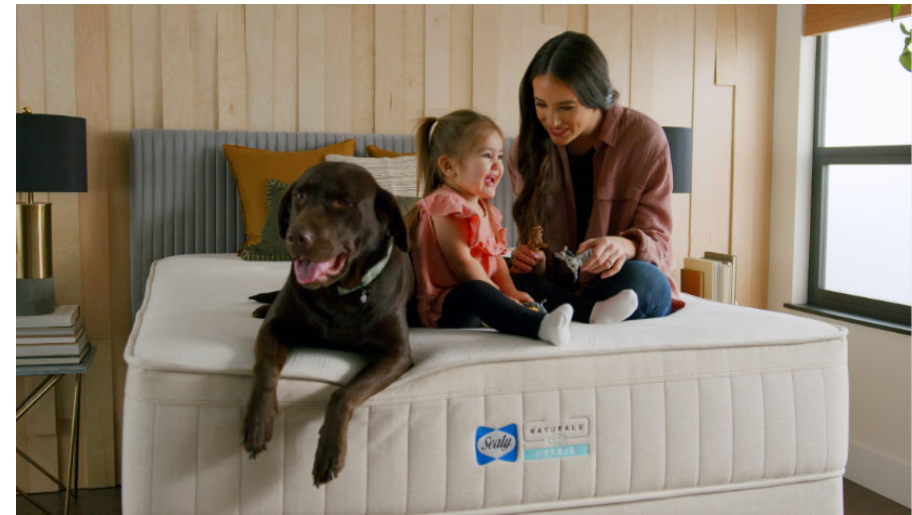
- Committed to achieving carbon neutrality for our wholly owned global operations by 2040
- Achieved an 8.4% reduction in greenhouse gas emissions per unit produced at our wholly owned manufacturing and logistics operations in 2021
- Improved the percentage of waste diverted from our North American wholly-owned manufacturing operations to 94% in 2021, compared to 91% in 2020, furthering our progress towards our goal of achieving zero landfill waste by the end of 2022
- Completed the installation of solar panel technology at our largest manufacturing facility in Albuquerque, New Mexico in 2021

Social

- Embedded ESG performance as a metric in executive leadership's compensation for 2021 and 2022
- In 2022, we launched a Sealy®-branded eco-friendly mattress collection made with responsibly sourced materials
- Contributed over \$100 million in product, stock, and cash to charity organizations since 2010
- Pledged \$2 million to support a pediatric sleep center
- Contributed monetary aid to support Ukrainian children and families and supplied over 1,100 bedding products to refugee centers

Corporate Governance

- Established Nominating Corporate Governance Committee oversight of our practices and positions relating to ESG issues
- Increased the number of women represented on our Board of Directors to 3 directors, representing 42% of the Board



Thank You for Your Interest in Tempur Sealy International

For more information, please email: investor.relations@tempursealy.com



STEARNS
& FOSTER®

Dreams



SHERWOOD®
BEDDING
a TEMPUR+SEALY company



SLEEP OUTFITTERS
ESTABLISHED 1983





TEMPUR+SEALY

Appendix

Forward-Looking Statements

This investor presentation contains statements relating to the Company's quarterly cash dividend, the Company's share repurchase targets, the Company's expectations regarding net sales for 2022 and adjusted EPS for 2022 and subsequent periods and the Company's expectations for increasing sales growth, product launches, channel growth, acquisitions and commodities outlook, and expectations regarding supply chain disruptions, the macroeconomic environment and COVID-related disruptions. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from any that may be expressed herein as forward-looking statements. These potential risks include the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022. There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

Note Regarding Historical Financial Information:

In this investor presentation we provide or refer to certain historical information for the Company. For a more detailed discussion of the Company's financial performance, please refer to the Company's SEC filings.

Note Regarding Trademarks, Trade Names, and Service Marks:

TEMPUR®, Tempur-Pedic®, the Tempur-Pedic & Reclining Figure Design®, TEMPUR-Adapt®, TEMPUR-ProAdapt®, TEMPUR-LuxeAdapt®, TEMPUR-PRObreeze™, TEMPUR-LUXEbreeze™, TEMPUR-Cloud®, TEMPUR-Contour™, TEMPUR-Rhapsody™, TEMPUR-Flex®, THE GRANDBED BY Tempur-Pedic®, TEMPUR-Ergo®, TEMPUR-UP™, TEMPUR-Neck™, TEMPUR-Symphony™, TEMPUR-Comfort™, TEMPUR-Traditional™, TEMPUR-Home™, Sealy®, Sealy Posturepedic®, Stearns & Foster®, COCOON by Sealy™, SealyChill™, and Clean Shop Promise® are trademarks, trade names, or service marks of Tempur Sealy International, Inc., and/or its subsidiaries. All other trademarks, trade names, and service marks in this presentation are the property of the respective owners.

Limitations on Guidance: The guidance included herein is from the Company's press release and related earnings call on November 3, 2022. The Company is neither reconfirming this guidance as of the date of this investor presentation nor assuming any obligation to update or revise such guidance. See above.

Use of Non-GAAP Financial Measures and Constant Currency Information

In this investor presentation and certain of its press releases and SEC filings, the Company provides information regarding adjusted net income, adjusted EPS, EBITDA, adjusted EBITDA, free cash flow, consolidated indebtedness less netted cash, and leverage, which are not recognized terms under U.S. Generally Accepted Accounting Principles (“GAAP”) and do not purport to be alternatives to net income and earnings per share as a measure of operating performance, an alternative to cash provided by operating activities as a measure of liquidity, or an alternative to total debt. The Company believes these non-GAAP measures provide investors with performance measures that better reflect the Company’s underlying operations and trends, including trends in changes in margin and operating expenses, 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 the Company’s business.

The Company believes that exclusion of these items assists in providing a more complete understanding of the Company’s underlying results from continuing operations and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company’s business, to evaluate its consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and management incentive 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 the amounts associated with the Company’s results as determined in accordance with GAAP. 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 regarding the use of these non-GAAP financial measures, please refer to the reconciliations on the following pages and the Company’s SEC filings.

Constant Currency Information

In this presentation the Company refers to, and in other communications with investors the Company 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 corresponding 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.

EBITDA and Adjusted EBITDA

A reconciliation of the Company’s GAAP net income to EBITDA and adjusted EBITDA per credit facility (which we refer to in this investor presentation as adjusted EBITDA) is provided on the subsequent slides. Management believes that the use of EBITDA and adjusted EBITDA per credit facility provides investors with useful information with respect to the Company’s operating performance and comparisons from period to period as well as the Company’s compliance with requirements under its credit agreement.

Adjusted Net Income and Adjusted EPS

A reconciliation of the Company’s GAAP net income to adjusted net income and a calculation of adjusted EPS are provided on subsequent slides. Management believes that the use of adjusted net income and adjusted EPS also provides investors with useful information with respect to the Company’s operating performance and comparisons from period to period. Forward-looking Adjusted EPS is a non-GAAP financial measure. The Company is unable to reconcile this forward-looking non-GAAP measure to EPS, its most directly comparable forward-looking GAAP financial measure, without unreasonable efforts, because the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact EPS in 2022.

Leverage

Consolidated indebtedness less netted cash to adjusted EBITDA per credit facility, which the Company may refer to as leverage, is provided on a subsequent slide and is calculated by dividing consolidated indebtedness less netted cash, as defined by the Company’s senior secured credit facility, by adjusted EBITDA per credit facility. The Company provides this as supplemental information to investors regarding the Company’s operating performance and comparisons from period to period, as well as general information about the Company’s progress in reducing its leverage.

QTD Adjusted Net Income⁽²⁾ and Adjusted EPS⁽²⁾

(in millions, except per share amounts)	Three Months Ended	
	September 30, 2022	September 30, 2021
Net income	\$ 132.7	\$ 177.4
Loss from discontinued operations, net of tax ⁽¹⁾	0.8	0.1
ERP system transition ⁽²⁾	2.7	—
Operational start-up costs ⁽³⁾	1.8	—
Restructuring costs ⁽⁴⁾	1.2	—
Acquisition-related costs ⁽⁵⁾	—	2.3
Adjusted income tax provision ⁽⁶⁾	(1.4)	(0.2)
Adjusted net income	\$ 137.8	\$ 179.6
Adjusted earnings per common share, diluted	\$ 0.78	\$ 0.88
Diluted shares outstanding	177.0	203.4

- (1) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the 2019 Credit Agreement. Therefore, these subsidiaries are excluded from our adjusted financial measures for covenant compliance purposes.
- (2) In the third quarter of 2022, we recorded \$2.7 million of charges related to the transition of our ERP system. Cost of sales included \$2.3 million of manufacturing facility ERP system transition costs, including labor, logistics, training and travel. Operating expenses included \$0.4 million, primarily related to professional fees.
- (3) In the third quarter of 2022, we incurred \$1.8 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S. Cost of sales and operating expenses included personnel and facility related costs of \$1.7 million and \$0.1 million, respectively.
- (4) In the third quarter of 2022, we recorded \$1.2 million of restructuring costs primarily associated with headcount reductions.
- (5) In the third quarter of 2021, we recorded \$2.3 million of acquisition-related stamp taxes associated with the acquisition of Dreams.
- (6) Adjusted income tax provision represents the tax effects associated with the aforementioned items.

*For a reconciliation net income to adjusted net income and adjusted EPS in prior reporting periods, please refer to the Company's SEC filings.

TTM Adjusted Net Income⁽²⁾ and Adjusted EPS⁽²⁾

<i>(in millions, except per common share amounts)</i>	Trailing Twelve Months Ended	
	September 30, 2022	
Net income	\$	529.8
Loss from discontinued operations, net of tax ⁽¹⁾		0.9
ERP system transition ⁽²⁾		12.1
Restructuring costs ⁽³⁾		5.3
Operational start-up costs ⁽⁴⁾		4.9
Tax adjustments ⁽⁶⁾		(5.4)
Adjusted net income	\$	547.6
Adjusted earnings per share, diluted	\$	2.93

- (1) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the 2019 Credit Agreement. Therefore, these subsidiaries are excluded from our adjusted financial measures for covenant compliance purposes.
- (2) In the second quarter of 2022, we recorded \$9.4 million of charges related to the transition of our ERP system. In the third quarter of 2022, we recorded \$2.7 million of charges related to the transition of our ERP system
- (3) In the second quarter of 2022, we recorded \$4.1 million of restructuring costs primarily associated with headcount reductions. In the third quarter of 2022, we recorded \$1.2 million of restructuring costs primarily associated with headcount reductions.
- (4) In the second quarter of 2022, we incurred \$3.1 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S. In the third quarter of 2022, we incurred \$1.8 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S.
- (5) Adjusted income tax provision represents the tax effects associated with the aforementioned items and discrete income tax events.

*For a reconciliation net income to adjusted net income and adjusted EPS in prior reporting periods, please refer to the Company's SEC filings.

QTD EBITDA⁽²⁾

(in millions)	Three Months Ended	
	September 30, 2022	September 30, 2021
Net income	\$ 132.7	\$ 177.4
Interest expense, net	26.8	13.5
Income taxes	41.1	58.7
Depreciation and amortization	44.8	45.6
EBITDA	<u>\$ 245.4</u>	<u>\$ 295.2</u>
Adjustments:		
Loss from discontinued operations, net of tax ⁽¹⁾	\$ 0.8	\$ 0.1
ERP system transition ⁽²⁾	\$ 2.7	\$ —
Operational start-up costs ⁽³⁾	1.8	—
Restructuring costs ⁽⁴⁾	1.2	—
Acquisition-related costs ⁽⁵⁾	—	2.3
Adjusted EBITDA	<u>\$ 251.9</u>	<u>\$ 297.6</u>

(1) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the 2019 Credit Agreement. Therefore, these subsidiaries are excluded from our adjusted financial measures for covenant compliance purposes.

(2) In the third quarter of 2022, we recorded \$2.7 million of charges related to the transition of our ERP system.

(3) In the third quarter of 2022, we incurred \$1.8 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S.

(4) In the third quarter of 2022, the Company recorded \$1.2 million of restructuring costs primarily associated with headcount reductions.

(5) In the third quarter of 2021, we recorded \$2.3 million of acquisition-related stamp taxes associated with the acquisition of Dreams.

*For a reconciliation net income to EBITDA and Adjusted EBITDA in prior reporting periods, please refer to the Company's SEC filings.

TTM Adjusted EBITDA⁽²⁾

(in millions)	Trailing Twelve Months Ended	
	September 30, 2022	
Net income	\$	529.8
Interest expense, net		91.9
Income tax provision		161.9
Depreciation and amortization		180.4
EBITDA	\$	964.0
Adjustments:		
Loss from discontinued operations, net of tax ⁽¹⁾		0.9
ERP system transition ⁽²⁾		12.1
Restructuring costs ⁽³⁾		5.3
Operational start-up costs ⁽⁴⁾		4.9
Adjusted EBITDA	\$	987.2
Consolidated indebtedness less netted cash	\$	2,731.9
Ratio of consolidated indebtedness less netted cash to adjusted EBITDA		2.77 times

- (1) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the 2019 Credit Agreement. Therefore, these subsidiaries are excluded from our adjusted financial measures for covenant compliance purposes.
- (2) In the trailing twelve months ended September 30, 2022, we recognized \$12.1 million of charges related to the transition of our ERP system.
- (3) In the trailing twelve months ended September 30, 2022, we recognized \$5.3 million of restructuring costs primarily associated with headcount reductions.
- (4) In the trailing twelve months ended September 30, 2022, we recognized \$4.9 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S.

*For a reconciliation net income to EBITDA and Adjusted EBITDA in prior reporting periods, please refer to the Company's SEC filings.

Leverage⁽²⁾ Reconciliation

<i>(in millions)</i>	September 30, 2022
Total debt, net	\$ 2,803.2
Plus: Deferred financing costs ⁽¹⁾	21.5
Consolidated indebtedness	2,824.7
Less: Netted cash ⁽²⁾	92.8
Consolidated indebtedness less netted cash	\$ 2,731.9

(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 per the Condensed Consolidated Balance Sheets.

(2) Netted cash includes cash and cash equivalents for domestic and foreign subsidiaries designated as restricted subsidiaries in the 2019 Credit Agreement.

*For a reconciliation of leverage to consolidated indebtedness less netted cash in prior reporting periods, please refer to the Company's SEC filings.

Footnotes

¹ Management estimates

² Adjusted net income, EBITDA, adjusted EBITDA, adjusted EPS, leverage, free cash flow, and constant currency are non-GAAP financial measures. Please refer to the “Use of Non-GAAP Financial Measures and Constant Currency Information” on a previous slide for more information regarding the definitions of adjusted net income, EBITDA, adjusted EBITDA, adjusted EPS, leverage, free cash flow, and constant currency, including the adjustments (as applicable) from the corresponding GAAP information. Please refer to “Forward-Looking Statements” and “Limitations on Guidance” on a previous slide.

³ Sealy® was ranked number one on Furniture Today’s list of the Top 20 U.S. Bedding Producers in June 2021. See Furniture Today’s Top 20 U.S. Bedding Producers methodology that includes Sealy® and Stearns & Foster® products in Sealy ranking. Tempur-Pedic® was ranked number two on Furniture Today’s list of the Top 20 U.S. Bedding Producers in June 2021. Tempur-Pedic® brand was awarded #1 in Customer Satisfaction for both the Retail Mattress and Online Mattress categories in the U.S. in the J.D. Power 2022 Mattress Satisfaction Report.

⁴ Based on the Company’s 2022 financial targets provided in the press release dated November 3, 2022, and the related earnings call on November 3, 2022. Please refer to “Forward-Looking Statements” and “Limitations on Guidance.”

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Thank You

