

## 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 global bedding market.”

## PURPOSE

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

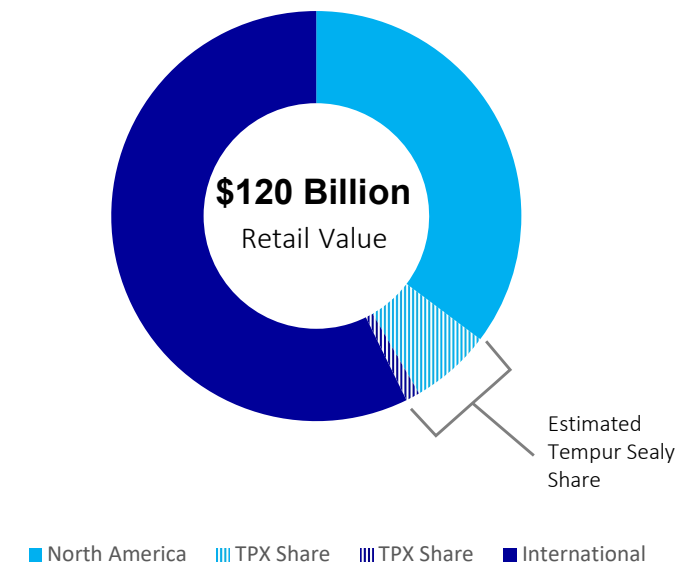
### Who We Are

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 Industry<sup>1</sup>

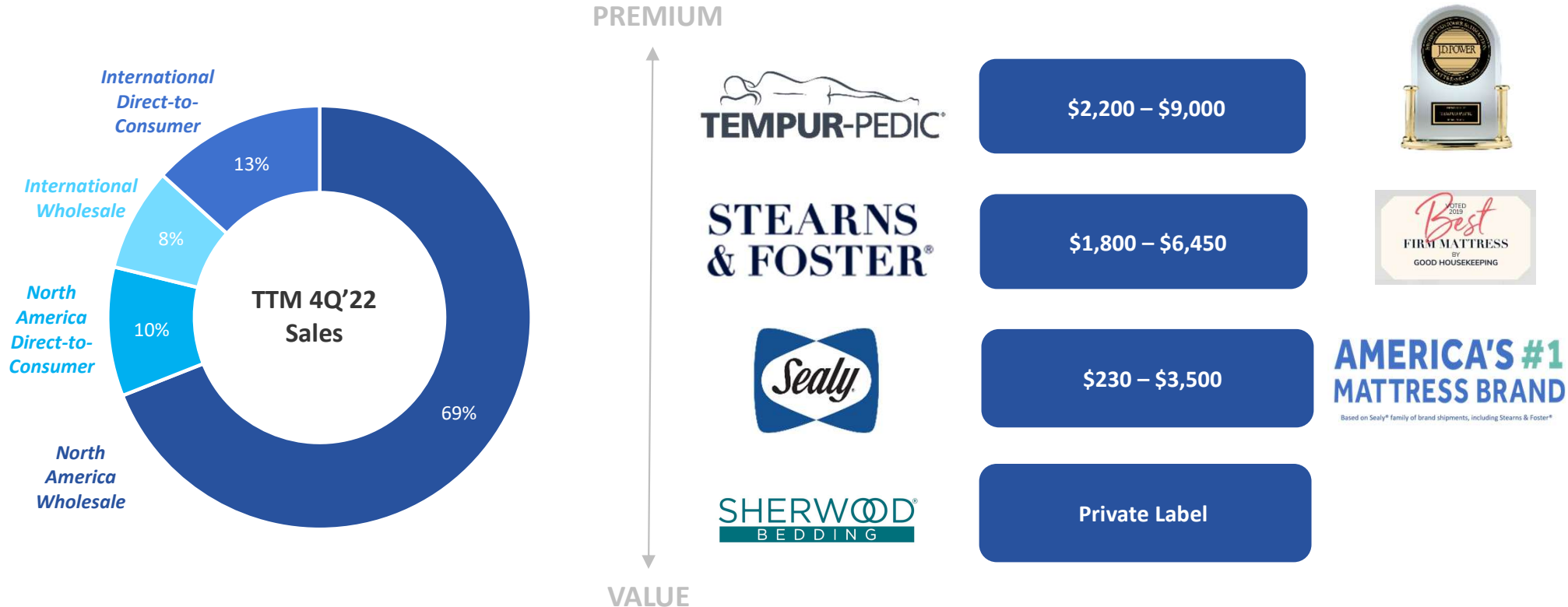


*Estimated global bedding market includes mattresses, foundations, pillows and other bedding products*



# 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



# TPX at a Glance

## Industry

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

## 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 flow<sup>2</sup> and fortified balance sheet that provide flexibility to take advantage of industry and market opportunities and return capital to shareholders.



# Investment Thesis

The leading vertically integrated global bedding company with iconic brands and extensive manufacturing capabilities

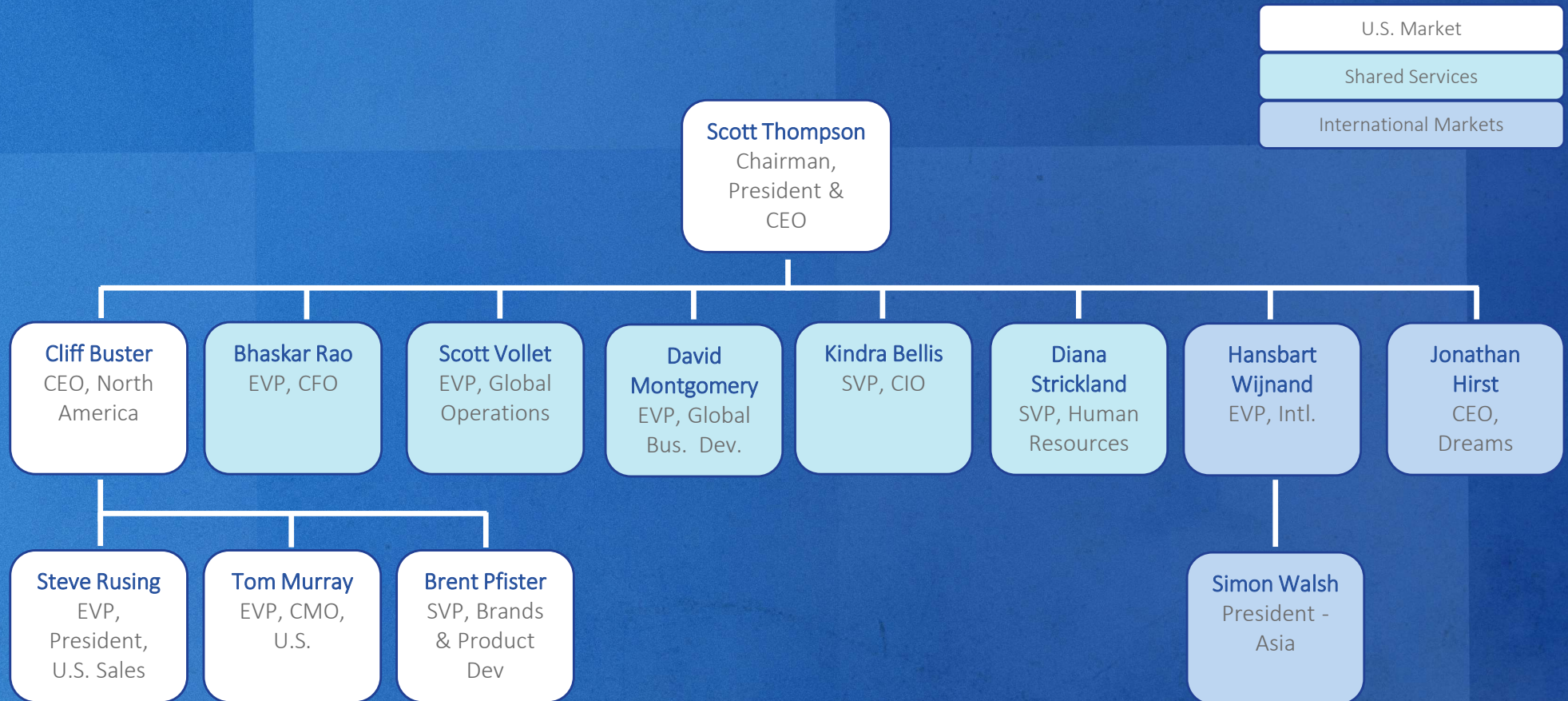
Over the long term, the bedding industry has consistently grown through ASP and unit expansion

History of market share gains across global omnichannel distribution

Legacy of strong value creation via capital allocation including share buybacks and acquisitions

Seasoned, well-aligned management with proven track record

# Tenured Leadership Team



**>185 YEARS**  
COMBINED TPX EXPERIENCE

**14 YEARS**  
AVERAGE TPX TENURE



# Experienced Team's Value Creation

- Since management change in 2015, sales have increased more than 55%, adjusted EBITDA<sup>2</sup> has nearly doubled, and GAAP EPS has increased more than 8.5x under current leadership

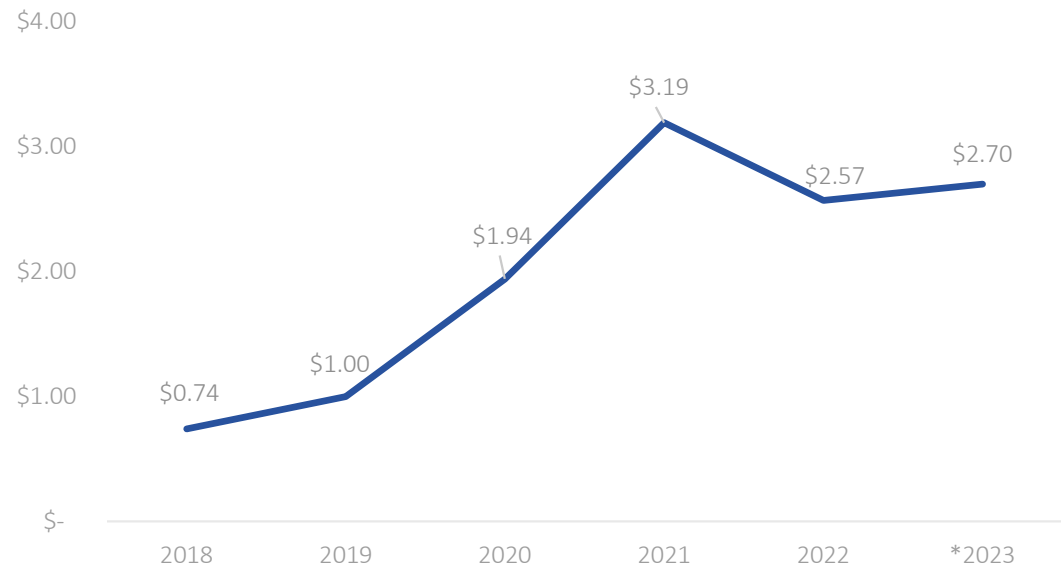
Current TPX Management Track Record Since 2015				
(in millions, except percentages, multiples, and per common share amounts)	Tailing Twelve Months Ended December 31, 2015	Tailing Twelve Months Ended December 31, 2022	CAGR	Total Growth
<b>Net Sales</b>	\$3,151	\$4,921	7%	56%
<b>Adjusted EBITDA<sup>2</sup></b>	\$456	\$892	10%	96%
<b>Net Income</b>	\$65	\$456	32%	607%
<b>Adjusted Net Income<sup>2</sup></b>	\$200	\$468	13%	134%
<b>GAAP EPS</b>	\$0.26	\$2.53	39%	883%
<b>Adjusted EPS<sup>2</sup></b>	\$0.80	\$2.60	18%	225%

# Competitive Advantages

- Worldwide omni-channel presence
- Iconic brand and product portfolio
- World-class manufacturing capabilities
- Industry-leading balance sheet and free cash flow<sup>2</sup>



## Full Year Adjusted EPS<sup>2</sup>



**Adjusted earnings per share<sup>2</sup> is expected to grow at a CAGR of 30% between 2018-2023**

\*2023 EPS based on the midpoint of Tempur Sealy's full year guidance



# Product, Retail, and E-Comm Brands



## Product Brands



## Brick & Mortar Retail Brands



SOVA



## E-Commerce Retail Brands



SOVA



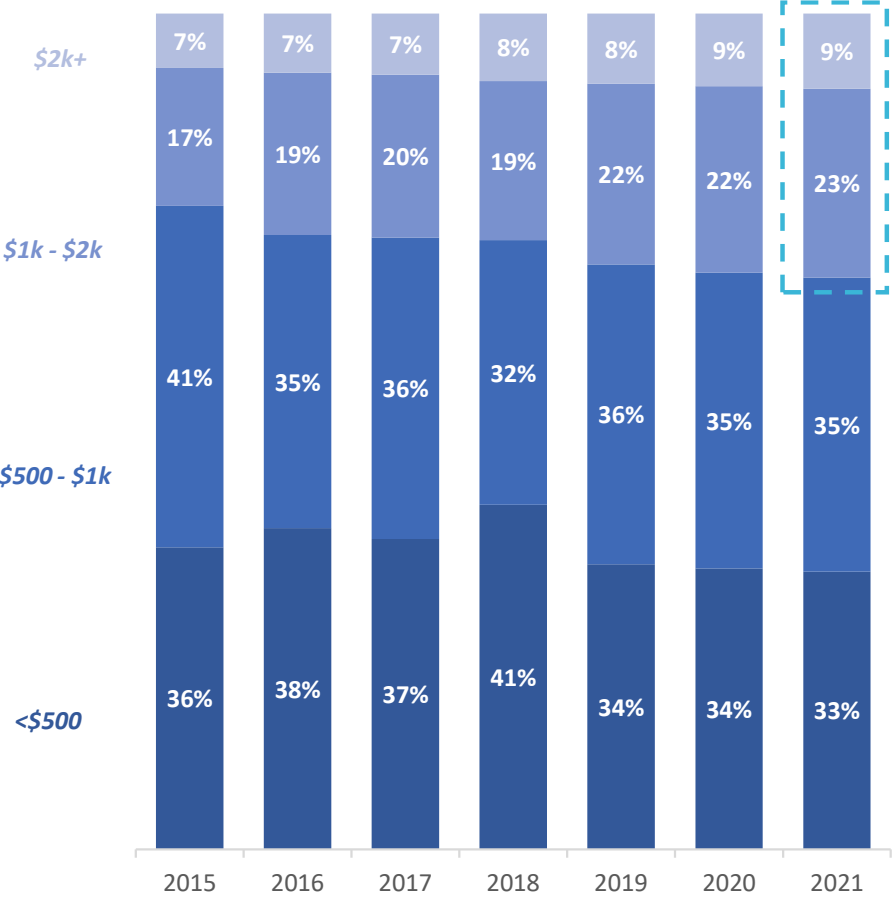
\*Through our international Sealy joint venture operations

TEMPUR+SEALY

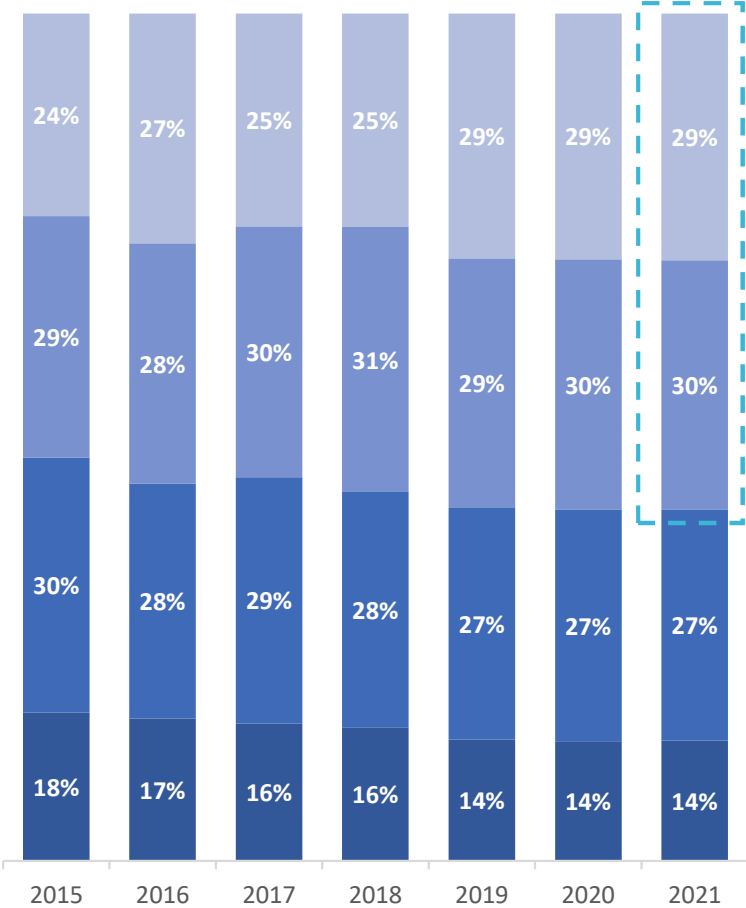
# U.S. Bedding Industry Premiumization<sup>1</sup>

- The \$1,000+ ASP segment of the market has grown unit share by 8% and dollar share by 6% since 2015
- \$2,000+ premium segment has grown more rapidly than \$1,000 – 2,000 segment, with 29% dollar share, up from 24% in 2015

U.S. Mattress Market Segmentation (Units)



U.S. Mattress Market Segmentation (Dollars)



\*Source: ISPA data, management estimates



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# 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.  
\$2,200-\$9,000\*



## **Stearns & Foster®: high-end-targeted brand**

- The world's finest beds that are made with exceptional materials, time-honored craftsmanship, and impeccable design.  
\$1,800-\$6,450\*



## **Sealy®: #1 bedding brand in the U.S.<sup>3</sup>**

- Combines innovation, engineering, and industry-leading testing to ensure quality and durability.  
\$230-\$3,500\*

**AMERICA'S #1  
MATTRESS BRAND**

Based on Sealy® family of brand shipments, including Stearns & Foster®



## **Private Label Offerings: customized product**

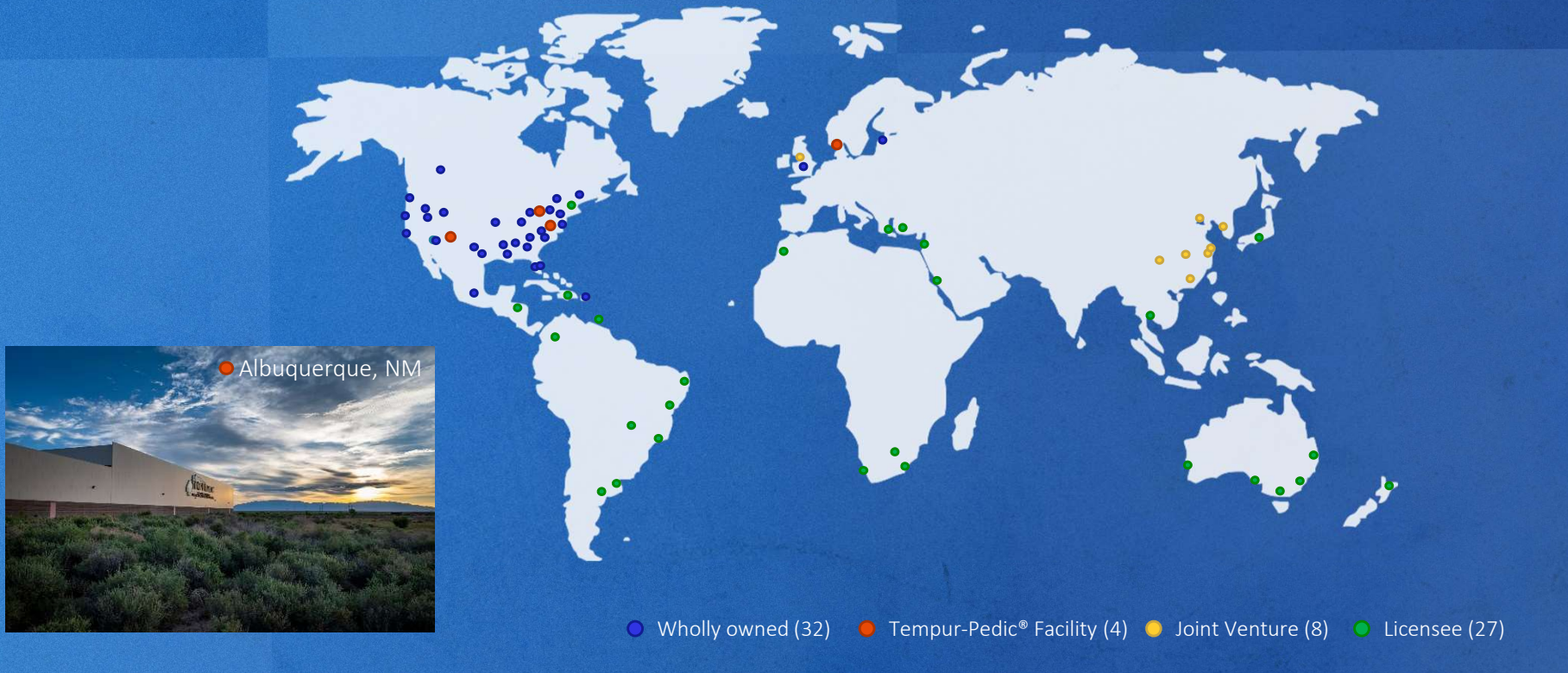
- Offers products for the value-oriented consumer.

\*Retail prices for a standard queen mattress



# World-Class Manufacturing Capabilities

34 NORTH AMERICAN FACILITIES | 37 INTERNATIONAL FACILITIES



## R&D Innovation

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

## Leading Manufacturing Capabilities

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



# Successful Omni-Distribution Platform

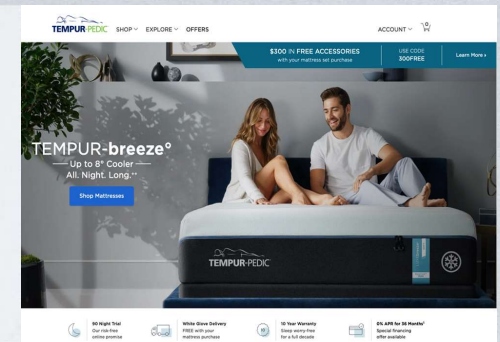
## Wholesale

- 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 700 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

  
**TEMPUR-PEDIC®**



**STEARNS  
& FOSTER®**

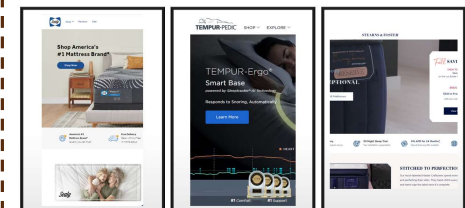
## Brick & Mortar & E-Commerce Retail



*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

- Largest pillar of our omni-channel distribution strategy, grounded in win-win relationships
- Broad-based worldwide distribution and broadly diversified
- Over 5,400 retail partners around the world selling through over 26,000 doors and e-commerce platforms
- Global sales force of over 500 people supporting our portfolio of brands
- While we are well-represented today, we are pursuing opportunities to further expand our third-party retail presence



## OEM Expansion

- Expanded into OEM market through the acquisition of Sherwood Bedding in 2020; a 3rd generation American manufacturer of private label innerspring mattresses, and 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
- We see an opportunity to grow our OEM operations to \$600 million<sup>1</sup> of annualized sales

# Stearns & Foster Opportunity

## Channel Investments

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

## Marketing Investments

- Supported Stearns & Foster with record advertising in 2022 and continued investments in 2023

## Product Investments

- Launched 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

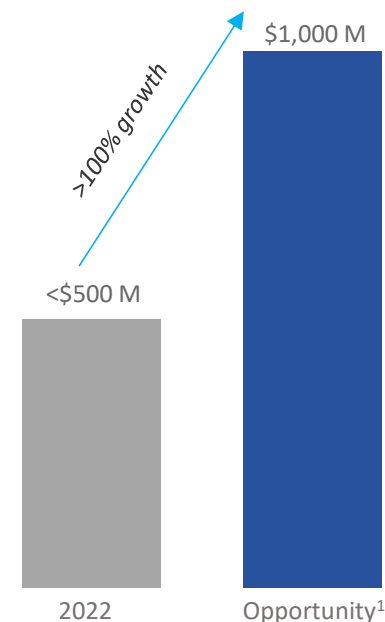


Portfolio Midpoint  
\$3,650\*

Leading Luxury  
Innerspring Brand

**STEARNS & FOSTER®**

Portfolio Midpoint  
\$3,300\*

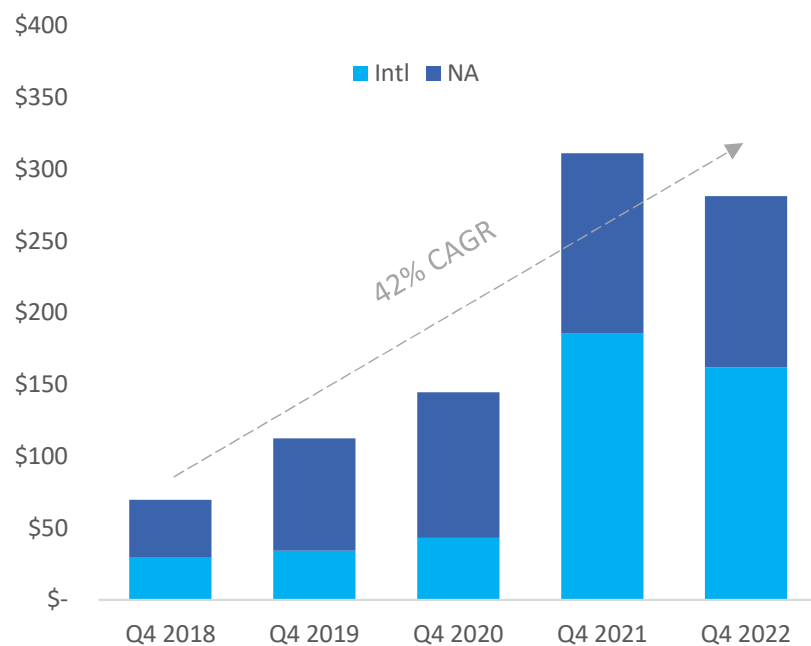


\*Retail prices for a standard queen mattress

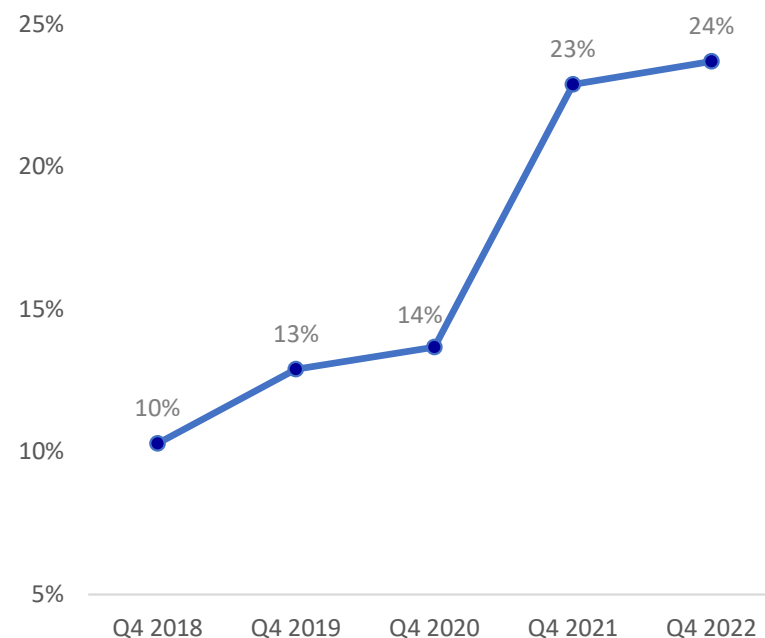
# Direct to Consumer

- 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

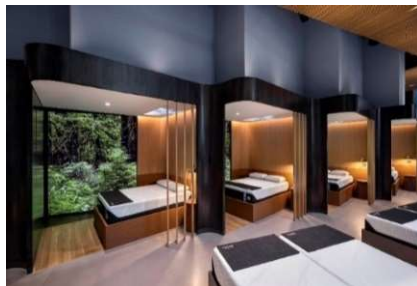




OPERATING OVER 700 RETAIL STORES GLOBALLY

## Company-Owned Store Strategy

Tempur-Pedic® U.S.



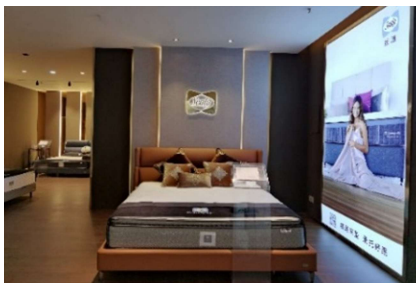
Dreams UK



Tempur-Pedic® Mexico



Sealy® Gallery Asia



Sleep Outfitters® U.S.



TEMPUR® Europe



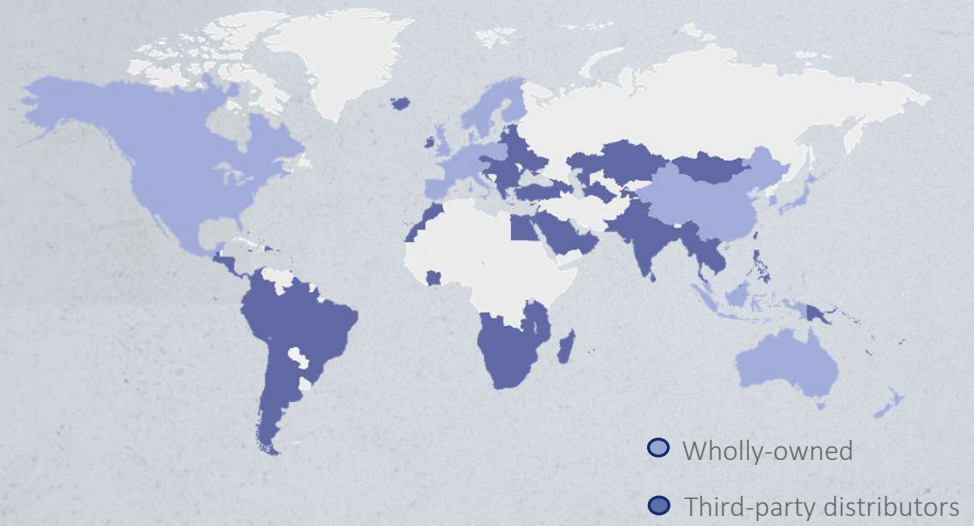
SOVA® Sweden



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

# International Markets

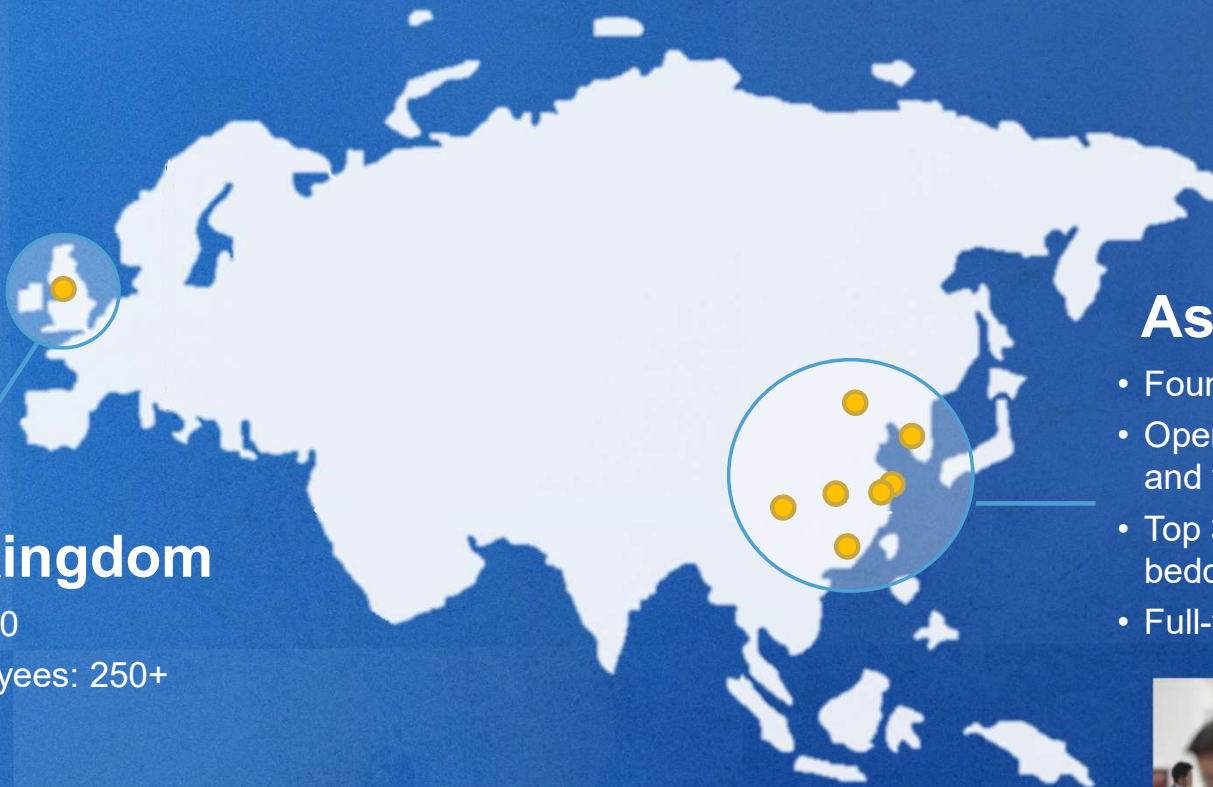
- Highly fragmented with broad geographic diversity across Europe and Asia
  - TEMPUR sold in 90+ countries, 22 countries served through wholly owned subsidiaries, rest by distributors
  - Acquired Dreams, the leading bedding retailer in the UK in 2021
- Launching new TEMPUR® line of mattresses to expand 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

~\$320 MILLION OF JOINT VENTURE SALES IN 2022  
DOUBLE-DIGIT 5-YEAR CAGR



## 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**



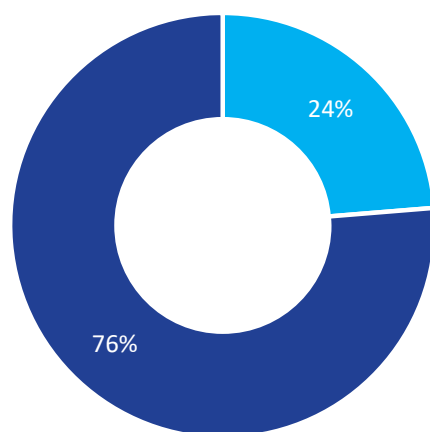
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# Recent Performance



# Fourth Quarter and Full Year Performance

Q4'22 Sales by Channel



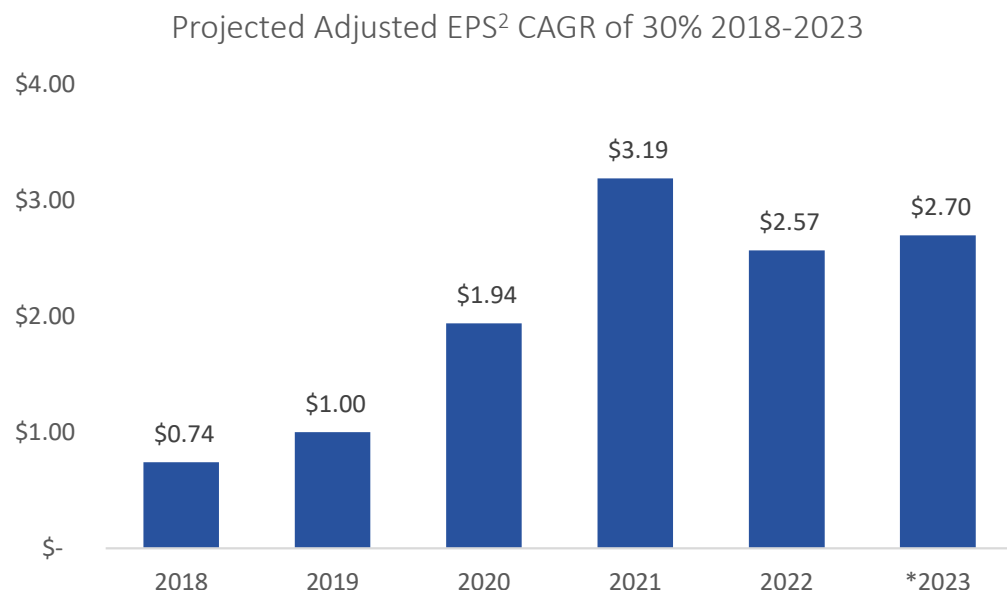
■ Direct ■ Wholesale

(in millions, except percentages and per common share amounts)	Three Months Ended			Trailing Twelve Months Ended		
	December 30, 2022	December 30, 2021	% Change	December 30, 2022	December 30, 2021	% Change
<b>Net Sales</b>	\$1,187.5	\$1,359.6	-12.7%	\$4,921.2	\$4,930.8	-0.2%
<b>Net Income</b>	\$101.7	\$175.8	-42.2%	\$455.7	\$624.5	-27.0%
<b>Adjusted Net Income<sup>2</sup></b>	\$96.2	\$175.9	-45.3%	\$467.9	\$651.7	-28.2%
<b>EPS</b>	\$0.57	\$0.88	-35.2%	\$2.53	\$3.06	-17.3%
<b>Adjusted EPS<sup>2</sup></b>	\$0.54	\$0.88	-38.6%	\$2.60	\$3.19	-18.5%



# 2023 Outlook<sup>4</sup>

Expect full-year adjusted EPS<sup>2</sup> between \$2.60 and \$2.80



Our 2023 expectations include:

- Sales growth of mid-single digits
  - Primarily driven by the execution of our initiatives
  - Also benefited by discounted floor models related to new product launches and the wraparound impact of pricing
- Sales and marketing investments of approximately \$20 million related to new product launches
- Record advertising spend of over \$500M
- Resulting in adjusted EBITDA<sup>2</sup> of approximately \$980M at the midpoint

Other Modeling Assumptions	
Depreciation & Amortization	\$200M - \$210M
Capital Expenditures	~\$200M
Interest Expense	\$135M - \$140M
U.S. Federal Tax Rate	24% - 25%
Diluted Share Count	178M shares

\*2023 EPS based on the midpoint of Tempur Sealy's full year guidance

# Flexible Cost Structure<sup>1</sup>

## Cost of Goods Sold Variability



## Operating Expense Variability



- 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

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

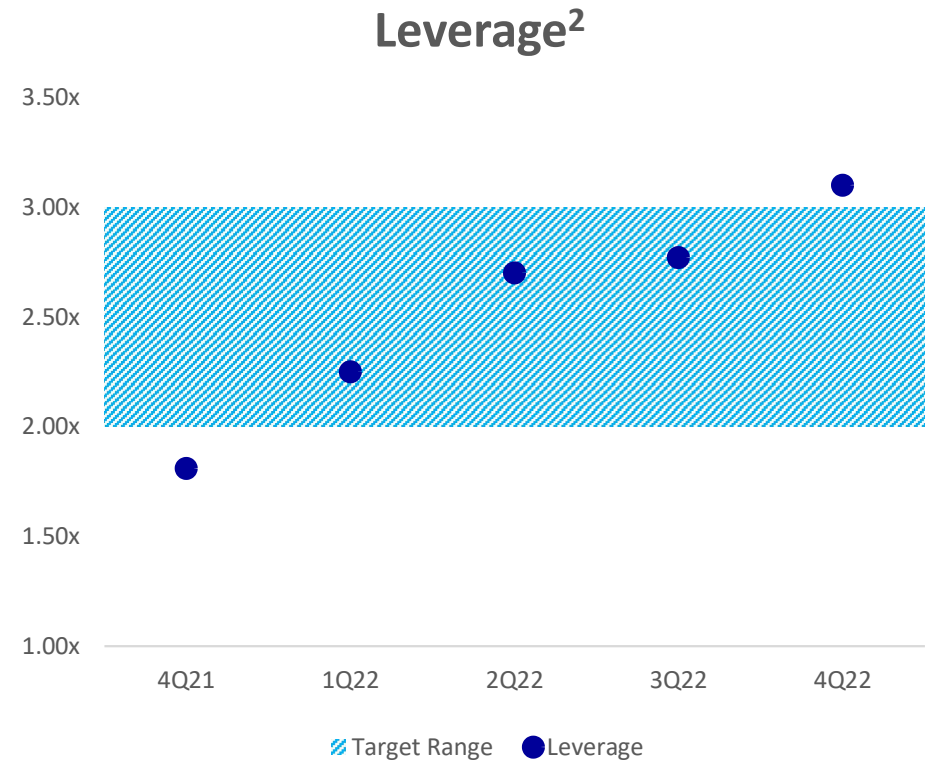
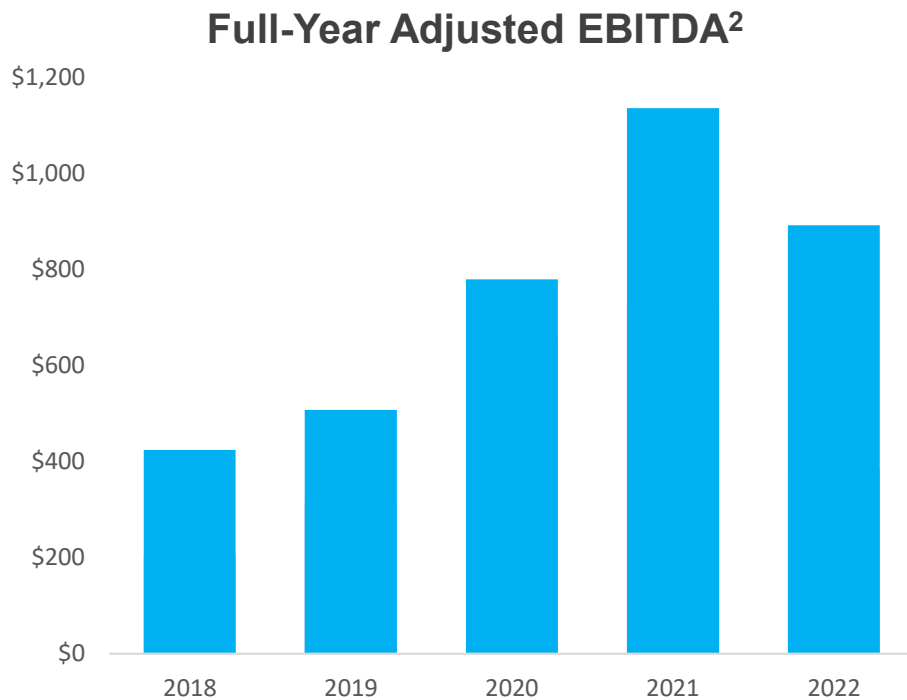




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# Leading Balance Sheet & Cash Flow

# Strong Balance Sheet & Cash Flow



## Credit ratings:

Fitch: BB+ (January 2023)

Moody's: Ba1 (September 2021)

S&P: BB+ (September 2021)

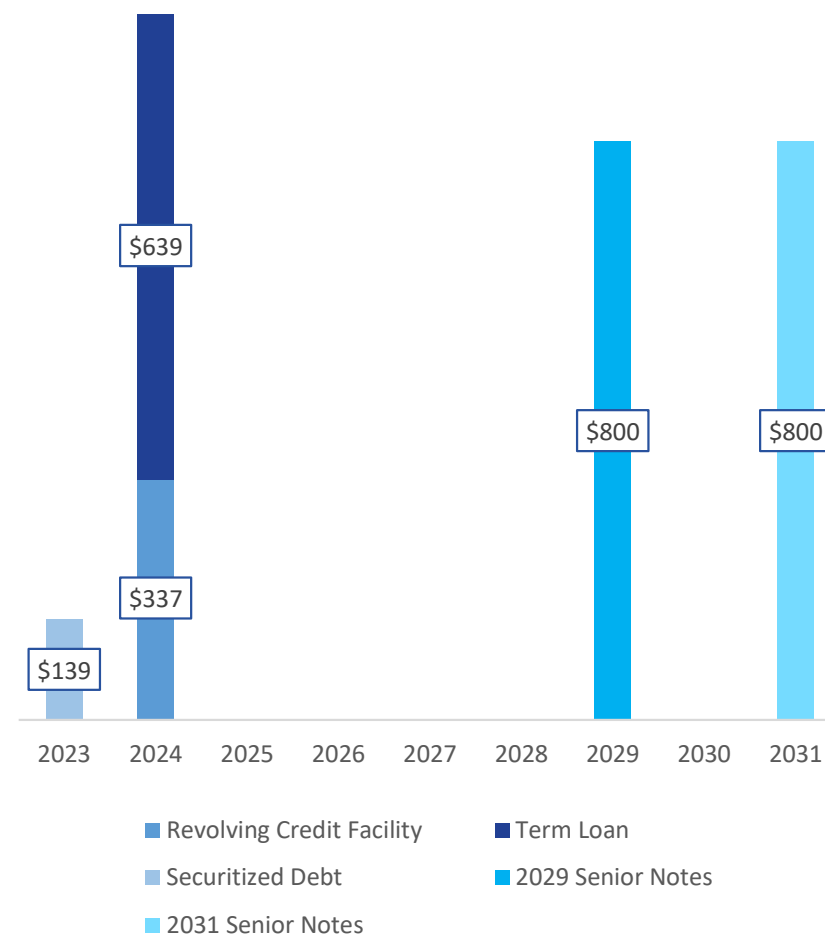


# Capital Structure

- Favorable borrowing rates, over \$450 million of liquidity and no meaningful maturities until 2024

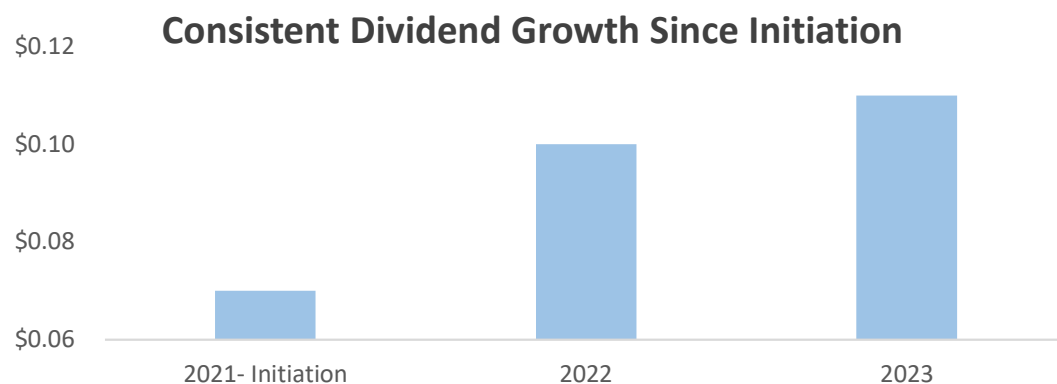
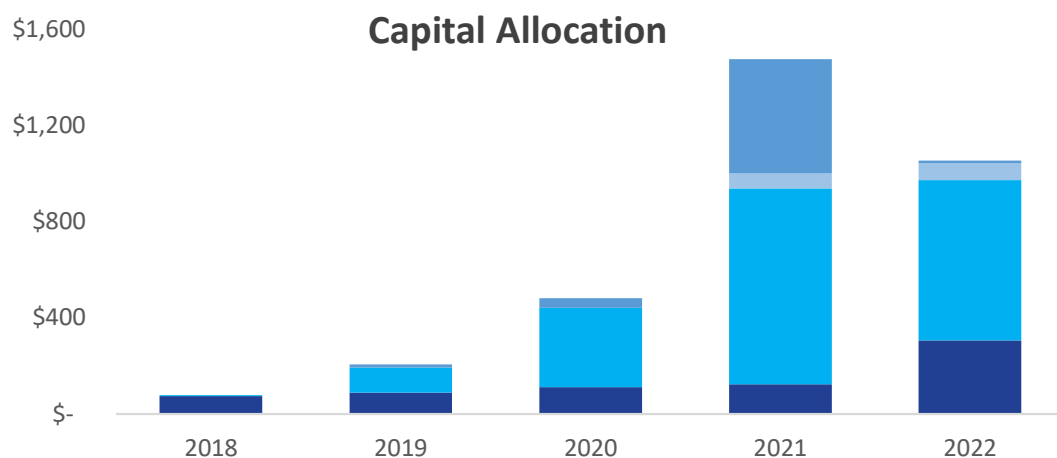
(in millions, except percentages and leverage ratios)	Amount	Maturity	Interest Rate	Leverage <sup>2</sup>
Cash	\$69.3			
Revolving Credit Facility Availability	387.4			
<b>Liquidity</b>	<b>\$456.7</b>			
\$725mm Revolving Credit Facility	\$337.0	Oct 2024	LIBOR + 250	
Term Loan	638.8	Oct 2024	LIBOR + 250	
Securitized Debt	139.3	April 2023	LIBOR + 70	
Finance Lease Obligations	78.8	Various		
<b>Total Secured Debt</b>	<b>\$1,193.9</b>			<b>1.3x</b>
2029 Senior Notes	\$800.0	April 2029	4.000%	
2031 Senior Notes	800.0	October 2031	3.875%	
Other	36.9	Various		
<b>Total Unsecured Debt</b>	<b>\$1,636.9</b>			<b>1.8x</b>
Consolidated indebtedness	\$2,830.8			
Less: Netted Cash	68.2			
<b>Net Debt</b>	<b>\$2,762.6</b>			<b>3.1x</b>

Credit Agreement Leverage Covenant	5.0x
Covenant EBITDA Cushion - (\$)	\$339.5
Covenant EBITDA Cushion - (%)	38.1%

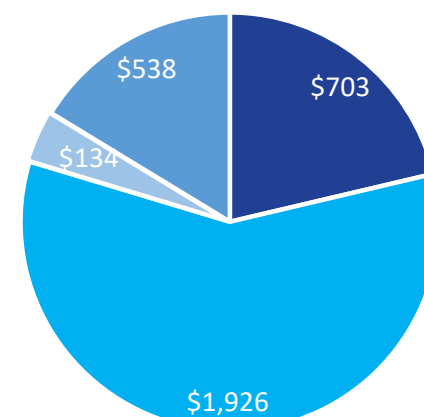


# Balanced Capital Allocation Strategy

- Long-term target leverage ratio of 2.0 – 3.0x<sup>2</sup>, we anticipate returning to the midpoint of the range in 2023
- 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 opportunistic share repurchases
- Maintain capacity for strategic acquisitions



**Allocated \$3.3B Since 2018**



■ Capex ■ Share Repurchases ■ Dividend ■ Acquisitions & Investments



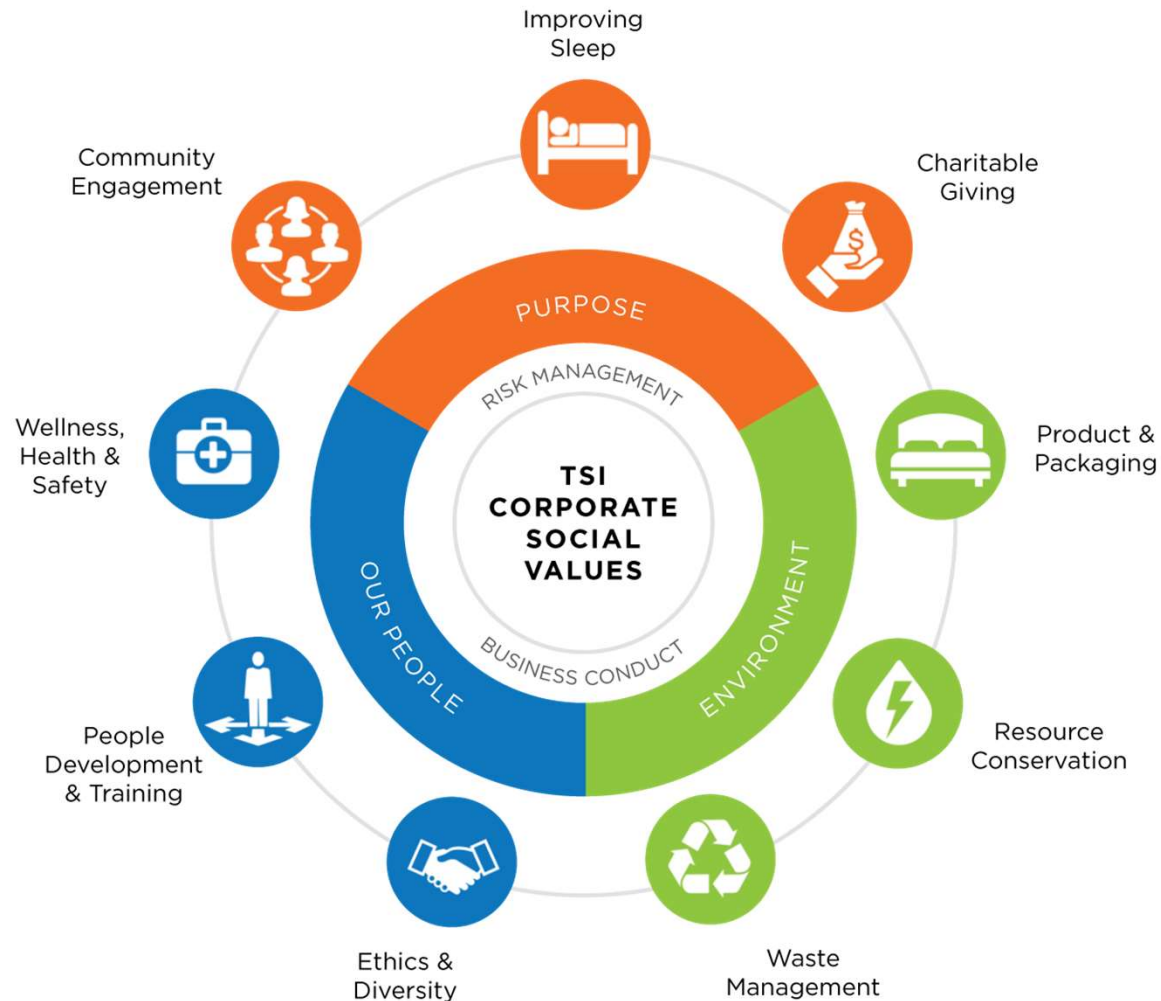


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# Environmental, Social, & Corporate Governance

# 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

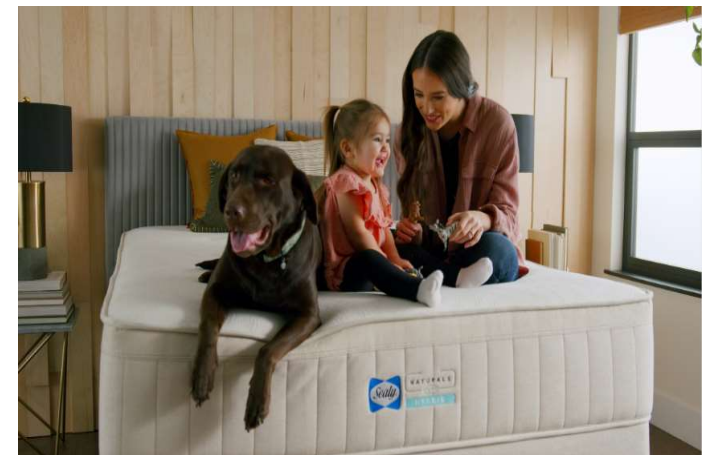
- Improved the percent of waste diverted from landfills from our U.S. wholly owned manufacturing operations to 100% as of September 30, 2022, compared to 96% as of September 30, 2021
- Expanded our commitment to achieving zero landfill waste to include our corporate offices and our research and development facilities by 2025
- Achieved a 3% reduction in greenhouse gas emissions per unit produced at our wholly owned manufacturing and logistics operations compared to the prior year, furthering our progress towards our goal of achieving carbon neutrality by 2040
- Substantially aligned our sustainability reporting to the Task Force on Climate-Related Financial Disclosures (TCFD) framework
- Formalized our ESG processes and stances in a new Environmental Policy

## Purpose

- Launched our new Sealy® Naturals™ mattress collection made with sustainable and responsibly sourced materials, including organic covers made with long-lasting hemp, organic cotton, lightweight modal, and 100% natural latex
- Continued to bring industry-leading innovation to market that provides consumers with higher quality sleep at a variety of price points, including the new U.S. product launches of Sealy Posturepedic® Plus, Stearns & Foster®, and Sealy® FlexGrid™
- Contributed over \$1 million through the Tempur Sealy Foundation and donated more than 8,300 mattresses worth approximately \$13.7 million

## People

- Completed the implementation of a new global ERP system, which is expected to fortify our cybersecurity and drive long-term efficiencies across our global operations
- Increased the percentage of our U.S. employee base that self identifies as a minority from 47% to 49%, and increased the percentage of our U.S. employee base that identifies as female from 30% to 32%
- Increased the percentage of women on our Board of Directors from 33% to 43%
- Embedded ESG performance as a metric in executive leadership's 2022 compensation program



# Thank You for Your Interest in Tempur Sealy International

For more information, please email: [investor.relations@tempursealy.com](mailto:investor.relations@tempursealy.com)



**STEARNS  
& FOSTER®**

**Dreams**



**SHERWOOD®  
BEDDING**  
a TEMPUR+SEALY company



**SOVA**

  
**SLEEP OUTFITTERS**  
ESTABLISHED 1983







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# 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 2023 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 September 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:

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Limitations on Guidance: The guidance included herein is from the Company's press release and related earnings call on February 9, 2023. 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 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.

## 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 2023.

## 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<sup>(2)</sup> and Adjusted EPS<sup>(2)</sup>

(in millions, except per share amounts)	Three Months Ended	
	December 31, 2022	December 31, 2021
Net income	\$ 101.7	\$ 175.8
(Income) loss from discontinued operations, net of tax <sup>(1)</sup>	(0.4)	0.1
Restructuring costs <sup>(2)</sup>	4.7	—
ERP system transition <sup>(3)</sup>	3.4	—
Operational start-up costs <sup>(4)</sup>	1.6	—
Danish tax matter <sup>(5)</sup>	(12.3)	—
Adjusted income tax provision <sup>(6)</sup>	(2.5)	—
Adjusted net income	\$ 96.2	\$ 175.9
Adjusted earnings per share, diluted	\$ 0.54	\$ 0.88
Diluted shares outstanding	177.0	199.8

- (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 the Company's adjusted financial measures for covenant compliance purposes.
- (2) The Company recorded \$4.7 million and \$10.0 million of restructuring costs in the fourth quarter and year ended 2022, respectively. These costs were primarily associated with professional fees and headcount reductions related to organizational changes, including \$0.2 million of other expense for the year ended 2022.
- (3) The Company recorded \$3.4 million and \$15.5 million of charges related to the transition of its ERP system in the fourth quarter and year ended 2022, respectively. Cost of sales included \$3.4 million and \$11.1 million of manufacturing facility ERP system transition costs, including labor, logistics, training and travel in the fourth quarter and year end 2022, respectively. Operating expenses included \$4.4 million, primarily related to professional fees for the year ended 2022.
- (4) The Company recorded \$1.6 million and \$6.5 million of operational start-up costs related to the capacity expansion of its manufacturing and distribution facilities in the U.S in the fourth quarter and year ended 2022, respectively, including \$0.4 million of other expense for the year ended 2022. Cost of sales included personnel and facility related costs of \$1.6 million for quarter ended 2022. Cost of sales and operating expenses included personnel and facility related costs of \$5.8 million and \$0.3 million for the year ended 2022.
- (5) The Company recorded an income tax benefit, on a net basis, of \$12.3 million related to its Danish tax matter in the fourth quarter of 2022. In December 2022, the Danish tax authority and the IRS agreed on a preliminary framework to conclude the Company's Danish tax matter for the years 2012 through 2024.
- (6) Adjusted income tax provision represents the tax effects associated with the aforementioned items, excluding the income tax benefit for the Danish tax matter.

\*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<sup>(2)</sup> and Adjusted EPS<sup>(2)</sup>

(in millions, except per common share amounts)	Year Ended December 31,	
	2022	2021
Net income	\$ 455.7	\$ 624.5
Loss from discontinued operations, net of tax <sup>(1)</sup>	0.4	0.7
ERP system transition <sup>(2)</sup>	15.5	—
Restructuring costs <sup>(3)</sup>	10.0	—
Operational start-up costs <sup>(4)</sup>	6.5	—
Loss on extinguishment of debt <sup>(5)</sup>	—	23.0
Acquisition-related costs <sup>(6)</sup>	—	6.2
Overlapping interest expense <sup>(7)</sup>	—	5.2
Danish tax matter <sup>(8)</sup>	(12.3)	—
Adjusted income tax provision <sup>(9)</sup>	(7.9)	(7.9)
Adjusted net income	\$ 467.9	\$ 651.7
Adjusted earnings per share, diluted	\$ 2.60	\$ 3.19
Diluted shares outstanding	180.3	204.3

- (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) We recorded \$15.5 million of charges related to the transition of our ERP system in the year ended 2022. Cost of sales included \$11.1 million of manufacturing facility ERP system transition costs, including labor, logistics, training and travel. Operating expenses included \$4.4 million, primarily related to professional fees.
- (3) We recorded \$10.0 million of restructuring costs primarily associated with professional fees and headcount reductions related to organizational changes in the year ended 2022, including \$0.2 million of other expense.
- (4) We recorded \$6.5 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S. in the year ended 2022, including \$0.4 million of other expense. Cost of sales and operating expenses included personnel and facility related costs of \$5.8 million and \$0.3 million, respectively.
- (5) In the year ended December 31, 2021, we recognized \$23.0 million of loss on extinguishment of debt associated with the redemption of the 2026 and 2023 senior notes.
- (6) In the year ended December 31, 2021, we recognized \$6.2 million of acquisition-related costs, primarily related to legal and professional fees and stamp taxes associated with the acquisition of Dreams.
- (7) In the year ended December 31, 2021, we incurred \$5.2 million of overlapping interest expense during the period between the issuance of the 2029 Senior Notes and the redemption of the 2026 Senior Notes.
- (8) The Company recorded an income tax benefit, on a net basis, of \$12.3 million related to its Danish tax matter in the fourth quarter of 2022. In December 2022, the Danish tax authority and the IRS agreed on a preliminary framework to conclude the Company's Danish tax matter for the years 2012 through 2024.
- (9) Adjusted income tax provision represents the tax effects associated with the aforementioned items, excluding the income tax benefit for the Danish tax matter.

\*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 EBITDA<sup>(2)</sup>

(in millions)	Year Ended	
	December 31, 2022	December 31, 2021
Net income	\$ 455.7	\$ 624.5
Interest expense, net	103.0	61.1
Income tax provision	119.0	198.3
Depreciation and amortization	182.0	176.6
Overlapping interest expense <sup>(1)</sup>	—	5.2
Loss on extinguishment of debt <sup>(2)</sup>	—	23.0
EBITDA	\$ 859.7	\$ 1,088.7
Adjustments:		
Loss from discontinued operations, net of tax <sup>(3)</sup>	0.4	0.7
ERP system transition <sup>(4)</sup>	15.5	—
Restructuring costs <sup>(5)</sup>	10.0	—
Operational start-up costs <sup>(6)</sup>	6.5	—
Acquisition-related costs <sup>(7)</sup>	—	6.2
Adjusted EBITDA	\$ 892.1	\$ 1,095.6
Earnings from Dreams prior to acquisition <sup>(8)</sup>	—	40.3
Adjusted EBITDA per credit facility	\$ 892.1	\$ 1,135.9
Consolidated indebtedness less netted cash	\$ 2,762.6	\$ 2,053.7
Ratio of consolidated indebtedness less netted cash to adjusted EBITDA	3.10 times	1.87 times

- (1) In the year ended December 31, 2021, we incurred \$5.2 million of overlapping interest expense during the period between the issuance of the 2029 Senior Notes and the redemption of the 2026 Senior Notes.
- (2) In the year ended December 31, 2021, we recognized \$23.0 million of loss on extinguishment of debt associated with the redemption of the 2026 and 2023 senior notes.
- (3) 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.
- (4) We recorded \$15.5 million of charges related to the transition of our ERP system in the year ended 2022.
- (5) We recorded \$10.0 million of restructuring costs primarily associated with professional fees and headcount reductions related to organization changes in the year ended 2022.
- (6) We recorded \$6.5 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S in the year ended 2022.
- (7) In the year ended December 31, 2021, we recognized \$6.2 million of acquisition-related costs, primarily related to legal and professional fees and stamp taxes associated with the acquisition of Dreams.
- (8) We completed the acquisition of Dreams on August 2, 2021 and designated this subsidiary as restricted under the 2019 Credit Agreement. For covenant compliance purposes, we included \$40.3 million of EBITDA from this subsidiary for the seven months prior to acquisition in our calculation of adjusted EBITDA for the year ended December 31, 2021.

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



# Leverage<sup>(2)</sup> Reconciliation

<i>(in millions)</i>	December 31, 2022	December 31, 2021
Total debt, net	\$ 2,810.3	\$ 2,331.5
Plus: Deferred financing costs <sup>(1)</sup>	20.5	21.7
Consolidated indebtedness	2,830.8	2,353.2
Less: Netted cash <sup>(2)</sup>	68.2	299.5
Consolidated indebtedness less netted cash	<u>\$ 2,762.6</u>	<u>\$ 2,053.7</u>

- (1) We present deferred financing costs as a direct reduction from the carrying amount of the related debt in the Consolidated Balance Sheets. For purposes of determining total debt for financial covenant purposes, we added these costs back to total debt, net as calculated per the 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

<sup>1</sup> Management estimates

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

<sup>3</sup> 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.

<sup>4</sup> Based on the Company’s 2023 financial targets provided in the press release dated February 9, 2023, and the related earnings call on February 9, 2023. Please refer to “Forward-Looking Statements” and “Limitations on Guidance.” The Company is unable to reconcile forward-looking adjusted EPS, a non-GAAP financial 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 2023.



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