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 March 31, 2021

or

☐ **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	**33-1022198**
(State or other jurisdiction of incorporation or organization)	**(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value	TPX	New York Stock Exchange

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 o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging Growth Company
x	o	o	☐	☐

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 May 3, 2021 was 196,951,341 shares.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, (this "Report"), 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 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which includes information concerning one or more of our plans; objectives; goals; strategies and other information that is not historical information. Many of these statements appear, in particular, under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, ITEM 2 of this Report. When used in this Report, the words "assumes," "estimates," "expects," “guidance,” “anticipates,” "might," “projects,” "predicts," “plans,” “proposed,” “targets,” “intends,” “believes,” “will,” "may," "could," "is likely to" and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon our expectations and beliefs and various assumptions. There can be no assurance that we will realize our expectations or that our 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 as forward-looking statements in this Report. These risk factors include the impact of the macroeconomic environment in both the U.S. and internationally on our business segments and expectations regarding growth of the mattress industry; uncertainties arising from global events, natural disasters or pandemics; risks associated with the duration, scope and severity of COVID-19 and its effects on our business and operations, including the disruption or delay of production and delivery of materials and products in our supply chain; the impact of travel bans, work-from-home policies, or shelter-in-place orders; a temporary or prolonged shutdown of manufacturing facilities or retail stores and decreased retail traffic; the effects of strategic investments on our operations, including our efforts to expand our global market share; the ability to develop and successfully launch 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 retail channel, including the timing of opening or expanding within large retail accounts and the timing and success of product launches, and the related expenses and life cycles of such products; the ability to continuously improve and expand our product line; the effects of consolidation of retailers on revenues and costs; competition in our industry; consumer acceptance of our products; general economic, financial and industry conditions, particularly conditions relating to liquidity, financial performance and related credit issues present in the retail sector; financial distress among our business partners, customers and competitors, and financial solvency and related problems experienced by other market participants, any of which may be amplified by the effects of COVID-19; our reliance on information technology and the associated risks involving potential security lapses and/or cyber-based attacks; the outcome of pending tax audits or other tax, regulatory or investigation proceedings and pending litigation; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carryforwards; market disruptions related to COVID-19 which may frustrate our ability to access financing on acceptable terms or at all; our capital structure and 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; effects of changes in foreign exchange rates on our reported earnings; changing commodity costs; expectations regarding our target leverage and our share repurchase program; sales fluctuations due to seasonality; the effect of future legislative or regulatory changes, including changes in international trade duties, tariffs and other aspects of international trade policy; our ability to protect our intellectual property; and disruptions to the implementation of our strategic priorities and business plan caused by changes in our executive management team.

Other potential risk factors include the risk factors discussed under the heading "Risk Factors" in Part I, ITEM 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Annual Report"). In addition, 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 "Tempur" may refer to Tempur-branded products and the term "Sealy" may refer to Sealy-branded products or to Sealy Corporation and its historical subsidiaries, in all cases as the context requires. In addition, when used in this Report, "2019 Credit Agreement" refers to the Company's senior credit facility entered into in 2019; "2023 Senior Notes" refers to the 5.625% senior notes due 2023 issued in 2015; "2026 Senior Notes" refers to the 5.50% senior notes due 2026 issued in 2016; and "2029 Senior Notes" refers to the 4.00% senior notes due 2029 issued in 2021.

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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 March 31, 2021	Three Months Ended March 31, 2020
Net sales	$ 1,043.8	$ 822.4
Cost of sales	584.9	465.3
Gross profit	458.9	357.1
Selling and marketing expenses	197.7	171.0
General, administrative and other expenses	79.5	80.6
Equity (income) loss in earnings of unconsolidated affiliates	(6.7)	0.2
Operating income	188.4	105.3
Other expense, net:		
Interest expense, net	12.3	20.3
Loss on extinguishment of debt	5.0	—
Other (income) expense, net	(0.3)	0.5
Total other expense, net	17.0	20.8
Income from continuing operations before income taxes	171.4	84.5
Income tax provision	(40.5)	(23.5)
Income from continuing operations	130.9	61.0
Loss from discontinued operations, net of tax	(0.2)	(1.2)
Net income before non-controlling interests	130.7	59.8
Less: Net income attributable to non-controlling interests	0.2	0.1
Net income attributable to Tempur Sealy International, Inc.	$ 130.5	$ 59.7
Earnings per common share:		
Basic		
Earnings per share for continuing operations	$ 0.64	$ 0.28
Loss per share for discontinued operations	—	—
Earnings per share	$ 0.64	$ 0.28
Diluted		
Earnings per share for continuing operations	$ 0.62	$ 0.28
Loss per share for discontinued operations	—	—
Earnings per share	$ 0.62	$ 0.28
Weighted average common shares outstanding:		
Basic	203.7	213.6
Diluted	210.1	216.0

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 March 31,	
	2021	2020
Net income before non-controlling interests	$ 130.7	$ 59.8
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(10.8)	(23.0)
Other comprehensive loss, net of tax	(10.8)	(23.0)
Comprehensive income	119.9	36.8
Less: Comprehensive income attributable to non-controlling interests	0.2	0.1
Comprehensive income attributable to Tempur Sealy International, Inc.	$ 119.7	$ 36.7

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
($ in millions)

	March 31, 2021	December 31, 2020
ASSETS	*(Unaudited)*	
Current Assets:		
Cash and cash equivalents	$ 290.5	$ 65.0
Accounts receivable, net	397.4	383.7
Inventories	318.8	312.1
Prepaid expenses and other current assets	207.6	207.6
Total Current Assets	1,214.3	968.4
Property, plant and equipment, net	509.0	507.9
Goodwill	765.2	766.3
Other intangible assets, net	626.8	630.1
Operating lease right-of-use assets	294.1	304.3
Deferred income taxes	13.7	13.5
Other non-current assets	119.0	118.1
Total Assets	$ 3,542.1	$ 3,308.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 278.6	$ 324.1
Accrued expenses and other current liabilities	546.2	585.1
Current portion of long-term debt	37.7	43.9
Income taxes payable	33.2	21.7
Total Current Liabilities	895.7	974.8
Long-term debt, net	1,822.4	1,323.0
Long-term operating lease obligations	266.2	275.1
Deferred income taxes	98.2	90.4
Other non-current liabilities	132.4	131.8
Total Liabilities	3,214.9	2,795.1
Redeemable non-controlling interest	8.9	8.9
Total Stockholders' Equity	318.3	504.6
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	$ 3,542.1	$ 3,308.6

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

($ in millions)
(unaudited)

Three Months Ended March 31, 2021

		Tempur Sealy International, Inc. Stockholders' Equity								
	Redeemable Non-controlling Interest	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest in Subsidiaries	Total Stockholders' Equity
		Shares Issued	At Par	Shares Issued	At Cost					
Balance as of December 31, 2020	$ 8.9	283.8	$ 2.8	78.9	$ (2,096.8)	$ 617.5	$ 2,045.6	$ (65.5)	$ 1.0	$ 504.6
Net income							130.5			130.5
Net income attributable to non-controlling interests	—								0.2	0.2
Foreign currency adjustments, net of tax								(10.8)		(10.8)
Exercise of stock options				(0.4)	10.9	(4.3)				6.6
Dividends on common stock ($0.07 per share)							(14.8)			(14.8)
Issuances of PRSUs, RSUs, and DSUs				(1.5)	38.3	(38.3)				—
Treasury stock repurchased				8.4	(299.8)					(299.8)
Treasury stock repurchased - PRSU/RSU releases				0.5	(13.3)					(13.3)
Amortization of unearned stock-based compensation						15.1				15.1
Balance, March 31, 2021	$ 8.9	283.8	$ 2.8	85.9	$ (2,360.7)	$ 590.0	$ 2,161.3	$ (76.3)	$ 1.2	$ 318.3

Three Months Ended March 31, 2020

		Tempur Sealy International, Inc. Stockholders' Equity								
	Redeemable Non-controlling Interest	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest in Subsidiaries	Total Stockholders' Equity
		Shares Issued	At Par	Shares Issued	At Cost					
Balance as of December 31, 2019	$ —	283.8	$ 2.8	75.1	$ (1,832.8)	$ 573.9	$ 1,703.3	$ (87.7)	$ 0.9	$ 360.4
Adoption of accounting standard effective January 1, 2020, net of tax							(6.5)			(6.5)
Net income							59.7			59.7
Net income attributable to non-controlling interests									0.1	0.1
Acquisition of non-controlling interest in subsidiary	8.4									—
Foreign currency adjustments, net of tax								(23.0)		(23.0)
Exercise of stock options					0.3	1.0				1.3
Issuances of PRSUs, RSUs, and DSUs				(0.4)	5.3	(5.3)				—
Treasury stock repurchased				2.6	(187.5)					(187.5)
Treasury stock repurchased - PRSU/RSU releases				0.1	(11.8)					(11.8)
Amortization of unearned stock-based compensation						7.3				7.3
Balance, March 31, 2020	$ 8.4	283.8	$ 2.8	77.4	$ (2,026.5)	$ 576.9	$ 1,756.5	$ (110.7)	$ 1.0	$ 200.0

See accompanying Notes to Condensed Consolidated Financial Statements.

TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in millions) (unaudited)

	Three Months Ended March 31,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS:		
Net income before non-controlling interests	$ 130.7	$ 59.8
Loss from discontinued operations, net of tax	0.2	1.2
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	26.5	23.2
Amortization of stock-based compensation	15.1	7.3
Amortization of deferred financing costs	0.6	0.7
Bad debt expense	2.5	15.7
Deferred income taxes	7.1	3.0
Dividends received from unconsolidated affiliates	2.5	—
Equity (income) loss in earnings of unconsolidated affiliates	(6.7)	0.2
Loss on extinguishment of debt	1.5	—
Foreign currency adjustments and other	0.1	0.6
Changes in operating assets and liabilities, net of effect of business acquisitions	(93.8)	(96.7)
Net cash provided by operating activities from continuing operations	86.3	15.0
CASH FLOWS FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS:		
Purchases of property, plant and equipment	(23.5)	(26.2)
Acquisitions, net of cash acquired	(1.0)	(37.9)
Other	0.1	0.1
Net cash used in investing activities from continuing operations	(24.4)	(64.0)
CASH FLOWS FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS:		
Proceeds from borrowings under long-term debt obligations	1,653.4	611.1
Repayments of borrowings under long-term debt obligations	(1,148.6)	(231.0)
Proceeds from exercise of stock options	6.6	1.3
Treasury stock repurchased	(313.1)	(199.3)
Dividends paid	(14.3)	—
Payments of deferred financing costs	(12.7)	—
Repayments of finance lease obligations and other	(2.4)	6.0
Net cash provided by financing activities from continuing operations	168.9	188.1
Net cash provided by continuing operations	230.8	139.1
Net operating cash flows used in discontinued operations	(0.4)	(1.1)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4.9)	(5.9)
Increase in cash and cash equivalents	225.5	132.1
CASH AND CASH EQUIVALENTS, beginning of period	65.0	64.9
CASH AND CASH EQUIVALENTS, end of period	$ 290.5	$ 197.0
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 8.3	$ 6.4
Income taxes, net of refunds	$ 20.2	$ 6.3

See accompanying Notes to Condensed Consolidated Financial Statements.

(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 designs, manufactures and distributes 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 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 equity in the net income and losses of these investments is reported in equity income in earnings of unconsolidated affiliates in the accompanying Condensed Consolidated Statements of Income. Additionally, in October 2020, the Company entered into a 50.0% ownership joint venture to reacquire the rights and acquire the assets to manufacture, market and distribute Sealy® and Stearns & Foster® branded products in the United Kingdom.

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, 2020, included in the 2020 Annual Report filed with the Securities and Exchange Commission on February 19, 2021.

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 and net realizable value, determined by the first-in, first-out method, and consist of the following:

(in millions)	March 31, 2021	December 31, 2020
Finished goods	$ 171.3	$ 170.2
Work-in-process	10.6	12.6
Raw materials and supplies	136.9	129.3
	$ 318.8	$ 312.1

(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. The Company considers the impact of recoverable salvage value on sales returns by segment in determining its estimate of future sales returns. Accrued sales returns are included in accrued expenses and other current liabilities in the accompanying Condensed Consolidated Balance Sheets.

The Company had the following activity for sales returns from December 31, 2020 to March 31, 2021:

(in millions)	
Balance as of December 31, 2020	$ 44.9
Amounts accrued	36.7
Returns charged to accrual	(33.4)
Balance as of March 31, 2021	$ 48.2

As of March 31, 2021 and December 31, 2020, $33.8 million and $31.6 million of accrued sales returns are included as a component of accrued expenses and other current liabilities and $14.4 million and $13.3 million of accrued sales returns are included in other non-current liabilities on the Company's accompanying Condensed Consolidated Balance Sheets, respectively.

(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, 2020 to March 31, 2021:

(in millions)		
Balance as of December 31, 2020	$	44.2
Amounts accrued		5.8
Warranties charged to accrual		(5.7)
Balance as of March 31, 2021	$	44.3

As of March 31, 2021 and December 31, 2020, $20.8 million and $20.3 million of accrued warranty expense is included as a component of accrued expenses and other current liabilities and $23.5 million and $23.9 million of accrued warranty expense is included in other non-current liabilities on the Company's accompanying Condensed Consolidated Balance Sheets, respectively.

(e) *Allowance for Credit Losses*. The allowance for credit losses is the Company's best estimate of the amount of expected lifetime credit losses in the Company's accounts receivable. The Company regularly reviews the adequacy of its allowance for credit losses. The Company estimates losses over the contractual life using assumptions to capture the risk of loss, even if remote, based principally on how long a receivable has been outstanding. Account balances are charged off against the allowance for credit losses after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. As of March 31, 2021, the Company's accounts receivable were substantially current. Other factors considered include historical write-off experience, current economic conditions and also factors such as customer credit, past transaction history with the customer and changes in customer payment terms. The allowance for credit losses is included in accounts receivable, net in the accompanying Condensed Consolidated Balance Sheets.

The Company had the following activity for its allowance for credit losses from December 31, 2020 to March 31, 2021:

(in millions)		
Balance as of December 31, 2020	$	71.6
Amounts accrued		2.5
Write-offs charged against the allowance		(1.6)
Balance as of March 31, 2021	$	72.5

(2) Net Sales

The following table presents the Company's disaggregated revenue by channel, product and geographical region, including a reconciliation of disaggregated revenue by segment, for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
(in millions)	North America	International	Consolidated	North America	International	Consolidated
Channel						
Wholesale	$ 765.5	$ 115.9	$ 881.4	$ 624.7	$ 97.7	$ 722.4
Direct	117.8	44.6	162.4	67.6	32.4	100.0
Net sales	$ 883.3	$ 160.5	$ 1,043.8	$ 692.3	$ 130.1	$ 822.4
	North America	International	Consolidated	North America	International	Consolidated
Product						
Bedding	$ 830.3	$ 121.7	$ 952.0	$ 654.9	$ 101.5	$ 756.4
Other	53.0	38.8	91.8	37.4	28.6	66.0
Net sales	$ 883.3	$ 160.5	$ 1,043.8	$ 692.3	$ 130.1	$ 822.4
	North America	International	Consolidated	North America	International	Consolidated
Geographical region						
United States	$ 818.5	$ —	$ 818.5	$ 632.5	$ —	$ 632.5
All Other	64.8	160.5	225.3	59.8	130.1	189.9
Net sales	$ 883.3	$ 160.5	$ 1,043.8	$ 692.3	$ 130.1	$ 822.4

(3) Acquisitions

Acquisition of Sherwood Bedding

On January 31, 2020, the Company acquired an 80% ownership interest in a newly formed limited liability company containing substantially all of the assets of the Sherwood Bedding business for a cash purchase price of approximately $39.1 million, which included $1.2 million of cash acquired.

The Company accounted for this transaction as a business combination. The final allocation of the purchase price is based on the fair values of the assets acquired and liabilities assumed as of January 31, 2020, which included the following:

(in millions)	
Working capital (accounts receivable and inventory, net of accounts payable and accrued liabilities)	$ 5.8
Property and equipment	10.1
Goodwill	26.7
Customer relationships intangible assets	3.7
Operating lease right-of-use assets	19.9
Operating lease liabilities	(19.9)
Redeemable non-controlling interest	(8.4)
Purchase price, net of cash acquired	$ 37.9

Goodwill is calculated as the excess of the purchase price over the net assets acquired and primarily represents the private label product growth opportunities and expected synergistic manufacturing benefits to be realized from the acquisition. The goodwill is deductible for income tax purposes and is included within the North American reporting unit for goodwill impairment assessments.

(4) Goodwill

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

(in millions)	North America	International	Consolidated
Balance as of December 31, 2020	$ 610.3	$ 156.0	$ 766.3
Foreign currency translation and other	1.6	(2.7)	(1.1)
Balance as of March 31, 2021	$ 611.9	$ 153.3	$ 765.2

(5) Debt

Debt for the Company consists of the following:

	March 31, 2021		December 31, 2020		
(in millions, except percentages)	Amount	Rate	Amount	Rate	Maturity Date
2019 Credit Agreement:					
Term A Facility	$ 398.4	(1)	$ 409.1	(2)	October 16, 2024
Revolver	—	(1)	—	(2)	October 16, 2024
2029 Senior Notes	800.0	4.00%	—	N/A	April 15, 2029
2026 Senior Notes	600.0	5.500%	600.0	5.500%	June 15, 2026
2023 Senior Notes	—	N/A	250.0	5.625%	October 15, 2023
Securitized debt	—	(3)	33.9	(4)	April 6, 2023
Finance lease obligations (5)	69.7		71.4		Various
Other	5.0		5.9		Various
Total debt	1,873.1		1,370.3		
Less: Deferred financing costs	13.0		3.4		
Total debt, net	1,860.1		1,366.9		
Less: Current portion	37.7		43.9		
Total long-term debt, net	$ 1,822.4		$ 1,323.0		

(1) Interest at LIBOR plus applicable margin of 1.250% as of March 31, 2021.
(2) Interest at LIBOR plus applicable margin of 1.250% as of December 31, 2020.
(3) Interest at one month LIBOR index plus 70 basis points.
(4) Interest at one month LIBOR index plus 80 basis points.
(5) New finance lease obligations are a non-cash financing activity. Refer to Note 6, "Leases".

As of March 31, 2021, the Company was in compliance with all applicable debt covenants.

2019 Credit Agreement

On October 16, 2019, the Company entered into the 2019 Credit Agreement with a syndicate of banks. The 2019 Credit Agreement provides for a $425.0 million revolving credit facility, a $425.0 million term loan facility, and an incremental facility in an aggregate amount of up to $550.0 million plus the amount of certain prepayments plus an additional unlimited amount subject to compliance with a maximum consolidated secured leverage ratio test. The 2019 Credit Agreement has a $60.0 million sub-facility for the issuance of letters of credit.

On February 2, 2021, the Company entered into an amendment to the 2019 Credit Agreement. The amendment increased the revolving credit facility from $425.0 million to $725.0 million. As of March 31, 2021, total availability under the revolving credit facility was $724.9 million after a $0.1 million reduction for outstanding letters of credit.

Securitized Debt

The Company and certain of its subsidiaries are party to a securitization transaction with respect to certain accounts receivable due to the Company and certain of its subsidiaries (as amended, the "Accounts Receivable Securitization"). As of March 31, 2021, the Company had availability of $87.2 million under the Accounts Receivable Securitization. On April 6, 2021, the Company and certain of its subsidiaries entered into a new amendment to the Accounts Receivable Securitization. The amendment, among other things, extended the maturity date of the Accounts Receivable Securitization to April 6, 2023 and increased the overall limit from $120.0 million to $200.0 million.

2029 Senior Notes

On March 25, 2021, Tempur Sealy International issued $800.0 million in aggregate principal amount of 4.00% senior notes due 2029 (the "2029 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2029 Senior Notes were issued pursuant to an indenture, dated as of March 25, 2021 (the "2029 Indenture"), among Tempur Sealy International, certain subsidiaries of Tempur Sealy International as guarantors (the "Guarantors"), and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2029 Senior Notes are general unsecured senior obligations of Tempur Sealy International and are guaranteed on a senior unsecured basis by the Guarantors. The 2029 Senior Notes mature on April 15, 2029, and interest is payable semi-annually in arrears on each April 15 and October 15, beginning on October 15, 2021.

Tempur Sealy International has the option to redeem all or a portion of the 2029 Senior Notes at any time on or after April 15, 2024. The initial redemption price is 102.000% of the principal amount, plus accrued and unpaid interest, if any. The redemption price will decline each year after 2024 until it becomes 100.0% of the principal amount beginning on April 15, 2026. In addition, Tempur Sealy International has the option at any time prior to April 15, 2024 to redeem some or all of the 2029 Senior Notes at 100.0% of the original principal amount plus a “make-whole” premium and accrued and unpaid interest, if any. Tempur Sealy International may also redeem up to 40.0% of the 2029 Senior Notes prior to April 15, 2024, under certain circumstances with the net cash proceeds from certain equity offerings, at 104.000% of the principal amount plus accrued and unpaid interest, if any. Tempur Sealy International may make such redemptions as described in the preceding sentence only if, after any such redemption, at least 60.0% of the original aggregate principal amount of the 2029 Senior Notes issued remains outstanding.

The 2029 Indenture restricts the ability of Tempur Sealy International and the ability of certain of its subsidiaries to, among other things: (i) incur, directly or indirectly, debt; (ii) make, directly or indirectly, certain investments and restricted payments; (iii) incur or suffer to exist, directly or indirectly, liens on its properties or assets; (iv) sell or otherwise dispose of, directly or indirectly, assets; (v) create or otherwise cause or suffer to exist any consensual restriction on the right of certain of the subsidiaries of Tempur Sealy International to pay dividends or make any other distributions on or in respect of their capital stock; and (vi) enter into transactions with affiliates. These covenants are subject to a number of exceptions and qualifications.

As a result of the issuance of the 2029 Senior Notes, $11.4 million of deferred financing costs were capitalized in the first quarter of 2021 and will be amortized as interest expense over the respective debt instrument period, 8 years, using the effective interest method.

2026 Senior Notes

On April 28, 2021, the Company announced its election to conditionally redeem the $600.0 million issued and outstanding 2026 Senior Notes, in full, on June 15, 2021 (the "Redemption Date"). The 2026 Senior Notes will be redeemed at 102.750% of their principal amount, plus the accrued and unpaid interest. The redemption is conditional on the determination by the Company's Chief Financial Officer, in his sole discretion, as of the second business day before the Redemption Date, that the redemption continues to be reasonably prudent and consistent with the Company's objectives concerning liquidity, financing needs and funding costs. The Company intends to use net proceeds from the 2029 Senior Notes primarily to fund the redemption.

2023 Senior Notes

On November 9, 2020, the Company redeemed the first $200.0 million of the issued and outstanding 2023 Senior Notes at 101.406% of the principal amount, plus the accrued and unpaid interest. During the first quarter of 2021, the Company redeemed the remaining $250.0 million of the issued and outstanding 2023 Senior Notes at 101.406% of the principal amount, plus the accrued and unpaid interest. In the first quarter of 2021, the Company recognized $5.0 million of loss on extinguishment of debt, which includes a prepayment premium of $3.5 million and the write-off of $1.5 million of deferred financing costs, associated with the redemption of the remaining amount outstanding of the 2023 Senior Notes.

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 because of the short-term maturity of those instruments. Borrowings under the 2019 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 observable 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:

	Fair Value	
(in millions)	**March 31, 2021**	**December 31, 2020**
2023 Senior Notes	$ —	$ 255.1
2026 Senior Notes	625.2	625.4
2029 Senior Notes	798.2	—

(6) Leases

The following table summarizes the classification of operating and finance lease assets and obligations in the Company's Condensed Consolidated Balance Sheet as of March 31, 2021 and December 31, 2020:

(in millions)		**March 31, 2021**	**December 31, 2020**
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 294.1	$ 304.3
Finance lease assets	Property, plant and equipment, net	59.4	61.2
Total leased assets		$ 353.5	$ 365.5
Liabilities			
Short-term:			
Operating lease obligations	Accrued expenses and other current liabilities	$ 61.2	$ 61.0
Finance lease obligations	Current portion of long-term debt	11.4	11.4
Long-term:			
Operating lease obligations	Long-term operating lease obligations	266.2	275.1
Finance lease obligations	Long-term debt, net	58.3	60.0
Total lease obligations		$ 397.1	$ 407.5

The following table summarizes the classification of lease expense in the Company's Condensed Consolidated Statements of Income for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
(in millions)	**2021**	**2020**
Operating lease expense:		
Operating lease expense	$ 19.4	$ 18.0
Short-term lease expense	3.9	3.2
Variable lease expense	6.4	5.3
Finance lease expense:		
Amortization of right-of-use assets	2.8	2.2
Interest on lease obligations	1.1	1.2
Total lease expense	$ 33.6	$ 29.9

The following table sets forth the scheduled maturities of lease obligations as of March 31, 2021:

(in millions)	**Operating Leases**	**Finance Leases**	**Total**
Year Ended December 31,			
2021 (excluding the three months ended March 31, 2021)	$ 55.5	$ 11.6	$ 67.1
2022	68.3	13.7	82.0
2023	56.3	11.0	67.3
2024	46.7	8.8	55.5
2025	40.0	7.8	47.8
Thereafter	117.1	34.3	151.4
Total lease payments	383.9	87.2	471.1
Less: Interest	56.5	17.5	74.0
Present value of lease obligations	$ 327.4	$ 69.7	$ 397.1

The following table provides lease term and discount rate information related to operating and finance leases as of March 31, 2021:

	March 31, 2021
Weighted average remaining lease term (years):	
Operating leases	6.61
Finance leases	7.75
Weighted average discount rate:	
Operating leases	4.92 %
Finance leases	5.75 %

The following table provides supplemental information related to the Company's Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020:

	Three Months Ended			
(in millions)	**March 31, 2021**		**March 31, 2020**	
Cash paid for amounts included in the measurement of lease obligations:				
Operating cash flows paid for operating leases [(a)]	$	18.2	$	17.3
Operating cash flows paid for finance leases	$	1.1	$	1.2
Financing cash flows paid for finance leases	$	2.4	$	2.3
Right-of-use assets obtained in exchange for new operating lease obligations	$	9.2	$	35.6
Right-of-use assets obtained in exchange for new finance lease obligations	$	1.2	$	8.2

(a) Operating cash flows paid for operating leases are included within the change in other assets and liabilities within the Condensed Consolidated Statement of Cash Flows offset by non-cash right-of-use asset amortization and lease liability accretion.

(7) Stockholders' Equity

(a) *Treasury Stock.* On February 11, 2021, the Board of Directors authorized an increase, of $211.4 million, to the existing share repurchase authorization of Tempur Sealy International's common stock. The Company repurchased 8.4 million and 2.6 million shares, under the program, for approximately $299.8 million and $187.5 million during the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the Company had approximately $113.2 million remaining under its share repurchase authorization. On April 29, 2021, the Company announced that its Board of Directors authorized an increase to the share repurchase authorization bringing the total authorization to $400.0 million.

In addition, the Company acquired shares upon the vesting of certain restricted stock units ("RSUs") and performance restricted stock units ("PRSUs"), which were withheld to satisfy tax withholding obligations during each of the three months ended March 31, 2021 and 2020. The shares withheld were valued at the closing price of the stock on the New York Stock Exchange on the vesting date or first business day prior to vesting, resulting in approximately $13.3 million and $11.8 million in treasury stock acquired during the three months ended March 31, 2021 and 2020, respectively.

(b) *AOCL*. AOCL consisted of the following:

(in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Foreign Currency Translation		
Balance at beginning of period	$ (58.6)	$ (82.2)
Other comprehensive loss:		
Foreign currency translation adjustments [1]	(10.8)	(23.0)
Balance at end of period	$ (69.4)	$ (105.2)
Pensions		
Balance at beginning of period	$ (6.9)	$ (5.5)
Other comprehensive loss:		
Net change from period revaluations	—	0.1
Tax expense [2]	—	(0.1)
Total other comprehensive income before reclassifications, net of tax	$ —	$ —
Net amount reclassified to earnings [1]	—	—
Tax benefit [2]	—	—
Total amount reclassified from accumulated other comprehensive loss, net of tax	$ —	$ —
Total other comprehensive loss	—	—
Balance at end of period	$ (6.9)	$ (5.5)

(1) In 2021 and 2020, 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.

(8) Other Items

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in millions)	March 31, 2021	December 31, 2020
Taxes	$ 145.0	$ 150.4
Wages and benefits	68.1	102.5
Advertising	61.3	74.4
Operating lease obligations	61.2	61.0
Other	210.6	196.8
	$ 546.2	$ 585.1

(9) Stock-Based Compensation

The Company's stock-based compensation expense for the three months ended March 31, 2021 and 2020 included PRSUs, non-qualified stock options, 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 March 31, 2021	Three Months Ended March 31, 2020
PRSU expense	$ 9.6	$ 0.3
Option expense	0.4	1.2
RSU/DSU expense	5.1	5.8
Total stock-based compensation expense	$ 15.1	$ 7.3

The Company grants PRSUs to executive officers and certain members of management. Actual payout under the PRSUs is dependent upon the achievement of certain financial goals. During the first quarter of 2021, the Company granted PRSUs as a component of the long-term incentive plan ("2021 PRSUs"). The Company has recorded stock-based compensation expense related to the 2021 PRSUs during the three months ended March 31, 2021, as it was probable that the Company would achieve the specified performance target for the performance period.

(10) Commitments and Contingencies

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

(11) Income Taxes

The Company's effective tax rate for the three months ended March 31, 2021 and 2020 was 23.6% and 27.8%, respectively. The Company's effective tax rate for the three months ended March 31, 2021 and 2020 differed from the U.S. federal statutory rate of 21.0% principally due to subpart F income (i.e., global intangible low-taxed income, or "GILTI," earned by the Company's foreign subsidiaries), foreign income tax rate differentials, state and local taxes, changes in the Company's uncertain tax positions, the excess tax deficiency (or benefit) related to stock-based compensation and certain other permanent items.

The Company has been involved in a dispute with the Danish Tax Authority ("SKAT") regarding the royalty paid by a U.S. subsidiary of Tempur Sealy International to a Danish subsidiary (the "Danish Tax Matter") for tax years 2001 through current. 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.

The uncertain income tax liabilities for the Danish Tax Matter for the years 2001 through 2011 (the "Settlement Years") and for the years 2012 through 2021 (the "2012 to Current Period") are reflected in the Company's Condensed Consolidated Balance Sheet as per below:

		March 31, 2021		December 31, 2020	
Period	**Balance Sheet Presentation**	**DKK**	**USD**	**DKK**	**USD**
Settlement Years	Accrued expenses and other current liabilities	847.3	$ 133.5	847.3	$ 139.1
2012 to Current Period	Other non-current liabilities	297.3	46.9	295.0	48.4
	Total	1,144.6	$ 180.4	1,142.3	$ 187.5

The deferred tax asset for the U.S. correlative benefit associated with the accrual of Danish tax for the 2012 to Current Period at March 31, 2021 and December 31, 2020 is approximately $10.4 million and $12.0 million, respectively.

At March 31, 2021 and December 31, 2020, respectively, the Company held cash on deposit with SKAT. The deposit at March 31, 2021 and December 31, 2020 is included within the Company's Condensed Consolidated Balance Sheet (translated at the exchange rates on March 31, 2021 and December 31, 2020, respectively) as per below:

	March 31, 2021		December 31, 2020	
	DKK	**USD**	**DKK**	**USD**
Prepaid expenses and other current assets	847.3	$ 133.5	847.3	$ 139.1
Other non-current assets	333.6	52.6	333.6	54.8
Total	1,180.9	$ 186.1	1,180.9	$ 193.9

If the Company is not successful in resolving the Danish Tax Matter for the 2012 to Current Period or there is a change in facts and circumstances, the Company may be required to further increase its uncertain income tax position associated with this matter, or decrease its deferred tax asset, also related to this matter, which could have a material impact on the Company's reported earnings.

There were no other significant changes in the Danish Tax Matter or other uncertain tax positions during the three months ended March 31, 2021.

(12) 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.

(in millions, except per common share amounts)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Numerator:		
Income from continuing operations, net of income attributable to non-controlling interests	$ 130.7	$ 60.9
Denominator:		
Denominator for basic earnings per common share-weighted average shares	203.7	213.6
Effect of dilutive securities	6.4	2.4
Denominator for diluted earnings per common share-adjusted weighted average shares	210.1	216.0
Basic earnings per common share for continuing operations	$ 0.64	$ 0.28
Diluted earnings per common share for continuing operations	$ 0.62	$ 0.28

The Company excluded an insignificant number of shares for the three months ended March 31, 2021, 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 0.8 million shares for the three months ended March 31, 2020. Holders of non-vested stock-based compensation awards do not have voting rights.

(13) Business Segment Information

The Company operates in two segments: North America and International. 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., Canada and Mexico. The International segment consists of Tempur manufacturing and distribution subsidiaries, Sealy distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America (other than Mexico). Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. 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.

The following table summarizes total assets by segment:

(in millions)	March 31, 2021	December 31, 2020
North America	$ 3,757.6	$ 3,740.3
International	618.0	639.8
Corporate	656.6	490.3
Inter-segment eliminations	(1,490.1)	(1,561.8)
Total assets	$ 3,542.1	$ 3,308.6

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

(in millions)	March 31, 2021	December 31, 2020
North America	$ 418.6	$ 415.3
International	46.8	49.8
Corporate	43.6	42.8
Total property, plant and equipment, net	$ 509.0	$ 507.9

The following table summarizes operating lease right-of-use assets by segment:

(in millions)	March 31, 2021	December 31, 2020
North America	$ 252.9	$ 256.6
International	39.4	45.7
Corporate	1.8	2.0
Total operating lease right-of-use assets	$ 294.1	$ 304.3

The following table summarizes segment information for the three months ended March 31, 2021:

(in millions)	North America	International	Corporate	Eliminations	Consolidated
Net sales	$ 883.3	$ 160.5	$ —	$ —	$ 1,043.8
Inter-segment sales	$ 0.7	$ 0.2	$ —	$ (0.9)	$ —
Inter-segment royalty expense (income)	2.1	(2.1)	—	—	—
Gross profit	363.9	95.0	—	—	458.9
Operating income (loss)	173.4	46.2	(31.2)	—	188.4
Income (loss) from continuing operations before income taxes	172.5	46.1	(47.2)	—	171.4
Depreciation and amortization (1)	$ 21.0	$ 3.6	$ 17.0	$ —	$ 41.6
Capital expenditures	18.8	2.0	2.7	—	23.5

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

The following table summarizes segment information for the three months ended March 31, 2020:

(in millions)	North America	International	Corporate	Eliminations	Consolidated
Net sales	$ 692.3	$ 130.1	$ —	$ —	$ 822.4
Inter-segment sales	$ 0.5	$ 0.1	$ —	$ (0.6)	$ —
Inter-segment royalty expense (income)	2.1	(2.1)	—	—	—
Gross profit	281.2	75.9	—	—	357.1
Operating income (loss)	101.6	26.4	(22.7)	—	105.3
Income (loss) from continuing operations before income taxes	100.1	24.0	(39.6)	—	84.5
Depreciation and amortization [(1)]	$ 17.8	$ 3.1	$ 9.6	$ —	$ 30.5
Capital expenditures	21.6	2.1	2.5	—	26.2

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

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

(in millions)	March 31, 2021	December 31, 2020
United States	$ 440.6	$ 436.2
All Other	68.4	71.7
Total property, plant and equipment, net	$ 509.0	$ 507.9

The following table summarizes operating lease right-of-use assets by geographic region:

(in millions)	March 31, 2021	December 31, 2020
United States	$ 250.9	$ 255.0
All Other	43.2	49.3
Total operating lease right-of-use assets	$ 294.1	$ 304.3

The following table summarizes net sales by geographic region:

	Three Months Ended March 31,	
(in millions)	2021	2020
United States	$ 818.5	$ 632.5
All Other	225.3	189.9
Total net sales	$ 1,043.8	$ 822.4

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 the 2020 Annual Report, including "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in ITEM 7 of Part II of the 2020 Annual Report, and the accompanying Condensed Consolidated Financial Statements and notes thereto included in this Report. 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 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 Report, in the 2020 Annual Report and the section titled "Risk Factors" contained in ITEM 1A of Part I of the 2020 Annual Report. 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 months ended March 31, 2021, including the following topics:

- an overview of our business and strategy,
- 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 are committed to improving the sleep of more people, every night, all around the world. As a global leader in the design, manufacture and distribution of bedding products, 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.

We operate in two segments: North America and International. 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., Canada and Mexico. In 2020, we acquired an 80% ownership interest in a newly formed limited liability company containing substantially all of the assets of the Sherwood Bedding business, which is included in the North America segment. Our International segment consists of Tempur manufacturing and distribution subsidiaries, Sealy distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America (other than Mexico). Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. We evaluate segment performance based on net sales, gross profit and operating income. For additional information refer to Note 13, "Business Segment Information," included in Part I, ITEM 1 of this Report.

Our product brand portfolio includes many highly recognized and iconic brands in the industry, including Tempur®, Tempur-Pedic®, Sealy® featuring Posturepedic® Technology and Stearns & Foster® and our non-branded offerings include value-focused private label OEM products. Our distinct brands allow for complementary merchandising strategies.

Our distribution model operates through an omni-channel strategy. We distribute through two channels in each operating business segment: Wholesale and Direct. Our Wholesale channel consists of third-party retailers, including third-party distribution, hospitality and healthcare. Our Direct channel includes company-owned stores, online and call centers.

General Business and Economic Conditions

We believe the bedding industry is structured for sustained growth driven by product innovation, consumer confidence, housing formations and population growth. The industry is no longer engaged in uneconomical retail store expansion, startups have shifted from uneconomical strategies to becoming profitable and legacy retailers and manufacturers have become skilled in producing profitable online sales.

At the outset of the COVID-19 global pandemic we experienced a reduction in total net sales across both of our business segments in the first quarter of 2020. Our North America business began experiencing sharp declines in total net sales and orders in mid-March. Order trends reached their lowest point in early April 2020 when they had declined approximately 80% as compared to the prior year. North American order trends significantly improved beginning in late May, and this improvement continued throughout the remainder of 2020. This momentum continued in the first quarter of 2021, with consolidated net sales increasing 26.9% as compared to the first quarter of 2020, as the negative impacts of the global COVID-19 pandemic have largely subsided as compared to the significant global disruption experienced throughout early 2020.

Order trends within our International markets are experiencing volatility due to restrictions on retail activity related to the COVID-19 global pandemic, however we are confident in our ability to operate in this retail environment. Current order trends continue to indicate growth in the U.S. As a result, we expect consolidated net sales growth to exceed 20% for the full year 2021.

Over the past several years and accelerating during the COVID-19 global pandemic, consumers have shifted their spending habits towards in-home products, including bedding products. We believe this may be a long-term shift in consumer spending habits, which could continue to favorably impact our industry. The rapid increase in demand for bedding products has challenged the entire bedding industry and supply chain, including our business. In the U.S., the broad-based increase in demand coupled with supply chain constraints, primarily related to an encased innerspring component and chemicals, has created operational challenges in the production of Sealy and Sherwood products. As a result, the sales growth of Sealy and Sherwood in the first quarter of 2021 was unfavorably impacted as we could not fulfill the entire domestic demand for these products. For the second quarter of 2021, we expect the innerspring supply chain to be largely unconstrained and the constraints in the chemical supply chain to mitigate significantly by the end of the quarter.

During the first quarter of 2021, commodity costs unfavorably impacted our gross margin as they were higher than expected. We implemented pricing actions in the fourth quarter of 2020 and in early April 2021 to mitigate these known commodity headwinds. Since then, commodity costs have continued to rise due to the winter storm in the Gulf of Mexico, which caused a temporary industry-wide reduction in chemical availability. We believe this commodity cost inflation to be temporary and do not expect to take additional pricing actions at this time. We anticipate the chemical constraints will largely be resolved by the end of the second quarter. Based on our current commodity outlook, we expect commodity cost inflation to negatively impact gross margin by approximately $25 million, predominantly occurring in the second quarter of 2021, which will not be offset by price.

While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our business, results of operations, liquidity or capital resources, we believe that it is important to share where our Company stands today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, suppliers and stockholders. For further information regarding the impact of COVID-19 on the Company, please refer to "Risk Factors" in ITEM 1A of Part I of the 2020 Annual Report.

Product Launches

During the first quarter of 2021, we completed the launch of our Tempur-Ergo Smart Base Collection with Sleeptracker® technology in North America. In 2021, we are refreshing our Sealy portfolio in our North America segment and launching new models in our Posturepedic Plus™, Posturepedic® and Essentials product lines. We plan to launch the refresh in two phases. In the first quarter of 2021, we began rolling out our Posturepedic® and Essentials product lines. We expect to complete the launch of our Essentials and Posturepedic® lines in the second quarter of 2021. Additionally, we expect to complete the launch of the higher end Posturepedic Plus™ line in the second half of 2021, which will complete the largest rollout in Sealy's history. In 2022, we expect to launch a new Tempur product line in our International segment.

Our global 2021 marketing plan is to aggressively support our innovative bedding products through investing significant marketing dollars to promote our worldwide brands.

Results of Operations

A summary of our results for the three months ended March 31, 2021 include:

- Total net sales increased 26.9% to $1,043.8 million as compared to $822.4 million in the first quarter of 2020. On a constant currency basis, which is a non-GAAP financial measure, total net sales increased 25.1%, with an increase of 27.3% in the North America business segment and an increase of 13.8% in the International business segment.
- Gross margin was 44.0% as compared to 43.4% in the first quarter of 2020.
- Operating income increased 78.9% to $188.4 million as compared to $105.3 million in the first quarter of 2020. Adjusted operating income, which is a non-GAAP financial measure, was $120.8 million in the first quarter of 2020. There were no adjustments to operating income in the first quarter of 2021.
- Net income increased 118.6% to $130.5 million as compared to $59.7 million in the first quarter of 2020. Adjusted net income, which is a non-GAAP financial measure, increased 85.7% to $134.6 million as compared to $72.5 million in the first quarter of 2020.
- Earnings before interest, tax, depreciation and amortization ("EBITDA"), which is a non-GAAP financial measure, increased 71.1% to $230.1 million as compared to $134.5 million in the first quarter of 2020. Adjusted EBITDA per credit facility, which is a non-GAAP financial measure, increased 52.3% to $230.3 million as compared to $151.2 million in the first quarter of 2020.
- Earnings per diluted share ("EPS") increased 121.4% to $0.62 as compared to $0.28 in the first quarter of 2020. Adjusted EPS, which is a non-GAAP financial measure, increased 88.2% to $0.64 as compared to $0.34 in the first quarter of 2020.

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 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. Constant currency information is not recognized under GAAP, and it is not intended as an alternative to GAAP measures. Refer to Part I, ITEM 3 of this Report for a discussion of our foreign currency exchange rate risk.

THREE MONTHS ENDED MARCH 31, 2021 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2020

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:

	Three Months Ended March 31,			
(in millions, except percentages and per share amounts)	2021		2020	
Net sales	$ 1,043.8	100.0 %	$ 822.4	100.0 %
Cost of sales	584.9	56.0	465.3	56.6
Gross profit	458.9	44.0	357.1	43.4
Selling and marketing expenses	197.7	18.9	171.0	20.8
General, administrative and other expenses	79.5	7.6	80.6	9.8
Equity (income) loss in earnings of unconsolidated affiliates	(6.7)	(0.6)	0.2	—
Operating income	188.4	18.0	105.3	12.8
Other expense, net:				
Interest expense, net	12.3	1.2	20.3	2.5
Loss on extinguishment of debt	5.0	0.5	—	—
Other (income) expense, net	(0.3)	—	0.5	0.1
Total other expense, net	17.0	1.6	20.8	2.6
Income from continuing operations before income taxes	171.4	16.4	84.5	10.3
Income tax provision	(40.5)	(3.9)	(23.5)	(2.9)
Income from continuing operations	130.9	12.5	61.0	7.4
Loss from discontinued operations, net of tax	(0.2)	—	(1.2)	(0.1)
Net income before non-controlling interests	130.7	12.5	59.8	7.3
Less: Net income attributable to non-controlling interests	0.2	—	0.1	—
Net income attributable to Tempur Sealy International, Inc.	$ 130.5	12.5 %	$ 59.7	7.3 %
Earnings per common share:				
Basic				
Earnings per share for continuing operations	$ 0.64		$ 0.28	
Loss per share for discontinued operations	—		—	
Earnings per share	$ 0.64		$ 0.28	
Diluted				
Earnings per share for continuing operations	$ 0.62		$ 0.28	
Loss per share for discontinued operations	—		—	
Earnings per share	$ 0.62		$ 0.28	
Weighted average common shares outstanding:				
Basic	203.7		213.6	
Diluted	210.1		216.0	

NET SALES

	Three Months Ended March 31,					
	2021	2020	2021	2020	2021	2020
(in millions)	Consolidated		North America		International	
Net sales by channel						
Wholesale	$ 881.4	$ 722.4	$ 765.5	$ 624.7	$ 115.9	$ 97.7
Direct	162.4	100.0	117.8	67.6	44.6	32.4
Total net sales	$ 1,043.8	$ 822.4	$ 883.3	$ 692.3	$ 160.5	$ 130.1

Net sales increased 26.9%, and on a constant currency basis increased 25.1%. The change in net sales was driven by the following:

- *North America* net sales increased $191.0 million, or 27.6%. Net sales in the Wholesale channel increased $140.8 million, or 22.5%, primarily driven by broad-based demand across our retail partners. Net sales in the Direct channel increased $50.2 million, or 74.3%, primarily driven by growth from our e-commerce business. On a constant currency basis, North America net sales increased 27.3%.

- *International* net sales increased $30.4 million, or 23.4%. On a constant currency basis, International net sales increased 13.8%. Net sales in the Wholesale channel increased 9.1% on a constant currency basis. Net sales in the Direct channel increased 28.1% on a constant currency basis.

GROSS PROFIT

	Three Months Ended March 31,				
	2021		2020		
(in millions, except percentages)	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Margin Change
North America	$ 363.9	41.2 %	$ 281.2	40.6 %	0.6 %
International	95.0	59.2 %	75.9	58.3 %	0.9 %
Consolidated gross margin	$ 458.9	44.0 %	$ 357.1	43.4 %	0.6 %

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.

Our gross margin is primarily impacted by the relative amount of net sales contributed by our Tempur and Sealy products. Our Sealy products have a significantly lower gross margin than our Tempur products. Our Sealy mattress products range from value to premium priced offerings, and gross margins are typically higher on premium products compared to value priced offerings. Our Tempur products are exclusively premium priced products. As sales of our value priced products increase relative to sales of our premium priced products, our gross margins will be negatively impacted in both our North America and International segments.

Our gross margin is also impacted by fixed cost leverage based on manufacturing unit volumes; the cost of raw materials; operational efficiencies due to the utilization in our manufacturing facilities; product, brand, channel and country mix; foreign exchange fluctuations; volume incentives offered to certain retail accounts; participation in our retail cooperative advertising programs; and costs associated with new product introductions. Future changes in raw material prices could have a significant impact on our gross margin. Our margins are also impacted by the growth in our Wholesale channel as sales in our Wholesale channel are at wholesale prices whereas sales in our Direct channel are at retail prices.

Gross margin improved 60 basis points. The primary drivers of changes in gross margin by segment are discussed below:

- *North America* gross margin improved 60 basis points. The improvement in gross margin was primarily driven by brand and channel mix of 140 basis points, partially offset by operational inefficiencies related to supply chain constraints of 100 basis points.

- *International* gross margin improved 90 basis points. The improvement in gross margin was primarily driven by favorable mix of 160 basis points as well as operational efficiencies of 150 basis points, partially offset by increased commodity costs of 220 basis points.

OPERATING EXPENSES

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 in selling and marketing expense certain new product development costs, including market research and new product testing.

General, administrative and other expenses include salaries and related expenses, information technology, professional fees, depreciation and amortization of long-lived assets not used in the manufacturing process, expenses for administrative functions and research and development costs.

	Three Months Ended March 31,							
	2021	2020	2021	2020	2021	2020	2021	2020
(in millions)	Consolidated		North America		International		Corporate	
Operating expenses:								
Advertising expenses	$ 90.9	$ 73.5	$ 79.4	$ 63.9	$ 11.5	$ 9.6	$ —	$ —
Other selling and marketing expenses	106.8	97.5	68.8	66.2	31.6	28.3	6.4	3.0
General, administrative and other expenses	79.5	80.6	42.3	49.5	12.4	11.4	24.8	19.7
Total operating expenses	$ 277.2	$ 251.6	$ 190.5	$ 179.6	$ 55.5	$ 49.3	$ 31.2	$ 22.7

Operating expenses increased $25.6 million, or 10.2%, and decreased 400 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 increased $10.9 million, or 6.1%, and decreased 430 basis points as a percentage of net sales. The increase in operating expenses was primarily driven by advertising investments, partially offset by decreased customer-related charges. In 2020, we recorded $11.7 million of customer-related charges in connection with the bankruptcy of Art Van Furniture, LLC and affiliates, which was not repeated in the same period in 2021.

- *International* operating expenses increased $6.2 million, or 12.6%, and decreased 330 basis points as a percentage of net sales. The increase in operating expenses was primarily driven by advertising and other selling and marketing investments.

- *Corporate* operating expenses increased $8.5 million, or 37.4%. The increase in operating expenses was primarily driven by variable compensation due to a reduction in prior year when the full year outlook included worldwide shutdowns and significant retailer door closures.

Research and development expenses for the three months ended March 31, 2021 were $6.5 million compared to $5.8 million for the three months ended March 31, 2020, an increase of $0.7 million, or 12.1%.

OPERATING INCOME

	Three Months Ended March 31,				
	2021		2020		
(in millions, except percentages)	Operating Income	Operating Margin	Operating Income	Operating Margin	Margin Change
North America	$ 173.4	19.6 %	$ 101.6	14.7 %	4.9 %
International	46.2	28.8 %	26.4	20.3 %	8.5 %
	219.6		128.0		
Corporate expenses	(31.2)		(22.7)		
Total operating income	$ 188.4	18.0 %	$ 105.3	12.8 %	5.2 %

Operating income increased $83.1 million and operating margin improved 520 basis points. The primary drivers of changes in operating income and operating margin by segment are discussed below:

- *North America* operating income increased $71.8 million and operating margin improved 490 basis points. The improvement in operating margin was primarily driven by favorable operating expense leverage of 240 basis points, improvement in gross margin of 60 basis points and decreased customer-related charges. In 2020, we recorded $11.7 million of customer-related charges in connection with the bankruptcy of Art Van Furniture, LLC and affiliates, which was not repeated in the same period in 2021.

- *International* operating income increased $19.8 million and operating margin improved 850 basis points. The improvement in operating margin was primarily driven by improved performance of the Asia-Pacific joint ventures of 340 basis points, favorable operating expense leverage of 240 basis points and the improvement in gross margin of 90 basis points. Additionally, in 2020, we recorded $2.3 million of charges associated with the global pandemic, which were not repeated in 2021.

- *Corporate* operating expenses increased $8.5 million, which negatively impacted our consolidated operating margin by 80 basis points. The increase in operating expenses was primarily driven by variable compensation due to a reduction in prior year when the full year outlook included worldwide shutdowns and significant retailer door closures.

INTEREST EXPENSE, NET

	Three Months Ended March 31,		
(in millions, except percentages)	**2021**	**2020**	**% Change**
Interest expense, net	$ 12.3	$ 20.3	(39.4)%

Interest expense, net, decreased $8.0 million, or 39.4%. The decrease in interest expense, net, was primarily driven by reduced average levels of outstanding debt and lower interest rates on our variable rate debt.

INCOME TAX PROVISION

	Three Months Ended March 31,		
(in millions, except percentages)	**2021**	**2020**	**% Change**
Income tax provision	$ 40.5	$ 23.5	72.3 %
Effective tax rate	23.6 %	27.8 %	

Our 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 increased $17.0 million due to an increase in income before income taxes. Our effective tax rate for the three months ended March 31, 2021 as compared to the same prior year period decreased by 420 basis points. The effective tax rate as compared to the U.S. federal statutory rate for the three months ended March 31, 2021 included the favorable impact of the elimination of global intangible low-taxed income ("GILTI") from U.S. taxable income, the favorable impact of the deductibility of stock compensation in the U.S. and included a net unfavorable impact of other discrete items. The effective tax rate as compared to the U.S. federal statutory tax rate for the three months ended March 31, 2020 included a net unfavorable impact of discrete items primarily related to the likelihood of the realization of certain deferred tax assets, i.e., the future deductibility of such items for income tax purposes, and certain stock compensation.

Liquidity and Capital Resources

Liquidity

Our principal sources of funds are cash flows from operations, supplemented with borrowings in the capital markets and 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, payments of dividends to our shareholders, capital expenditures and working capital needs.

As of March 31, 2021, we had net working capital of $318.6 million, including cash and cash equivalents of $290.5 million, as compared to a working capital deficit of $6.4 million, including cash and cash equivalents of $65.0 million, as of December 31, 2020.

At March 31, 2021, total cash and cash equivalents were $290.5 million, of which $264.6 million was held in the U.S. and $25.9 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 the U.S. Dollar or other major foreign currencies is not material to our overall liquidity or financial position.

Cash Provided by (Used in) Continuing Operations

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

	Three Months Ended March 31,	
(in millions)	**2021**	**2020**
Net cash provided by (used in) continuing operations:		
Operating activities	$ 86.3	$ 15.0
Investing activities	(24.4)	(64.0)
Financing activities	168.9	188.1

Cash provided by operating activities from continuing operations increased $71.3 million in the three months ended March 31, 2021 as compared to the same period in 2020. The increase in cash provided by operating activities was driven by strong operational performance in the period.

Cash used in investing activities from continuing operations decreased $39.6 million in the three months ended March 31, 2021 as compared to the same period in 2020. The decrease in cash used in investing activities was due to the acquisition of the Sherwood Bedding business, which occurred in the first quarter of 2020.

Cash provided by financing activities from continuing operations decreased $19.2 million in the three months ended March 31, 2021 as compared to the same period in 2020. For the three months ended March 31, 2021, we had net funding of $504.8 million, which included proceeds of $800.0 million from the issuance of our 2029 Senior Notes partially offset by net repayments under our credit facilities and 2023 Senior Notes, as compared to net borrowings of $380.1 million in 2020 on our credit facilities. During the three months ended March 31, 2021 and 2020, we repurchased $313.1 million and $199.3 million, respectively, of our common stock. Cash provided by financing activities also decreased due to dividends paid to shareholders of $14.3 million and payment of deferred financing costs of $12.7 million during the three months ended March 31, 2021.

Cash Provided by (Used in) Discontinued Operations

Net cash provided by (used in) operating, investing and financing activities from discontinued operations for the periods ended March 31, 2021 and 2020 was not material.

Capital Expenditures

Capital expenditures totaled $23.5 million and $26.2 million for the three months ended March 31, 2021 and 2020, respectively. We currently expect our 2021 capital expenditures to be approximately $125 million to $140 million, which includes investments in growth initiatives and maintenance capital expenditures of $75 million.

Indebtedness

Our total debt increased to $1,873.1 million as of March 31, 2021 from $1,370.3 million as of December 31, 2020. On November 9, 2020, we redeemed $200.0 million of our issued and outstanding 2023 Senior Notes at 101.406% of their principal amount, plus the accrued and unpaid interest. During the first quarter of 2021, we redeemed the remaining $250.0 million of our 2023 Senior Notes, principally funded by our revolving credit facility, at 101.406% of the principal amount, plus the accrued and unpaid interest.

On February 2, 2021 we entered into an amendment to our 2019 Credit Agreement, which increased our revolving credit facility from $425.0 million to $725.0 million. Total availability under our revolving senior secured credit facility was $724.9 million as of March 31, 2021, which matures in 2024.

On March 25, 2021, we issued the 2029 Senior Notes. The 2029 Senior Notes mature on April 15, 2029 and 4.00% interest is payable semi-annually in arrears on each April 15 and October 15, beginning on October 15, 2021. Refer to Note 5, "Debt" in our of the "Notes to Condensed Consolidated Financial Statements," under Part I, ITEM 1 for further discussion of our debt.

As of March 31, 2021, our ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility, which is a non-GAAP financial measure, in accordance with our 2019 Credit Agreement was 1.95 times. This ratio is within the terms of the financial covenants for the maximum consolidated total net leverage ratio as set forth in the 2019 Credit Agreement, which limits this ratio to 5.00 times. As of March 31, 2021, we were in compliance with all of the financial covenants in our debt agreements, and we do not anticipate material issues under any debt agreements based on current facts and circumstances.

Our debt agreements contain certain covenants that limit restricted payments, including share repurchases and dividends. The 2019 Credit Agreement, 2026 Senior Notes and 2029 Senior Notes contain similar limitations which, subject to other conditions, allow unlimited restricted payments at times when the ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility, which is a non-GAAP financial measure, remains below 3.50 times. In addition, these agreements permit limited restricted payments under certain conditions when the ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility is above 3.50 times. The limit on restricted payments under the 2019 Credit Agreement, 2026 Senior Notes and 2029 Senior Notes is in part determined by a basket that grows at 50% of adjusted net income each quarter, reduced by restricted payments that are not otherwise permitted.

For additional information, refer to "Non-GAAP Financial Information" below for the calculation of the ratio of consolidated indebtedness less netted cash to adjusted EBITDA calculated in accordance with the 2019 Credit Agreement. Both consolidated indebtedness and adjusted EBITDA as used in discussion of the 2019 Credit Agreement are non-GAAP financial measures and do not purport to be alternatives to net income as a measure of operating performance or total debt.

Debt Securities Guaranteed by Subsidiaries

The $600.0 million aggregate principal amount of 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 domestic subsidiaries guaranteeing Tempur Sealy International's obligations under the 2019 Credit Agreement (together, the "Obligor Group"). The $450.0 million aggregate principal amount of 2023 Senior Notes were general unsecured senior obligations at December 31, 2020. The foreign subsidiaries represent the foreign operations of the Company and do not guarantee the Senior Notes.

The Senior Notes rank equally with or senior to all debt of Tempur Sealy International and the Obligor Group, but are effectively junior to all secured debt, including obligations under the 2019 Credit Agreement, to the extent of the value of the assets securing such debt. Subject to certain restrictions, Tempur Sealy International and the restricted subsidiaries under the applicable indenture may incur additional secured debt. Claims of creditors of non-guarantor subsidiaries, including trade creditors, and creditors holding debt and guarantees issued by those subsidiaries, and claims of preferred stockholders (if any) of those subsidiaries generally will have priority with respect to the assets and earnings of those subsidiaries over the claims of creditors of the holders of the Senior Notes. The Senior Notes and each guarantee are therefore effectively subordinated to creditors (including trade creditors) and preferred stockholders (if any) of non-guarantor subsidiaries.

Under the applicable indenture, each guarantee is limited to the maximum amount that would not render the subsidiary guarantor's obligations subject to avoidance under the applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. By virtue of this limitation, a subsidiary guarantor's obligation under its guarantee could be significantly less than amounts payable with respect to the Senior Notes, or could be reduced to zero, depending upon the amount of other obligations of such guarantor.

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; (c) the subsidiary's guarantee of indebtedness under the 2019 Credit Agreement (as it may be amended, refinanced or replaced) is released (other than a discharge through repayment); (d) the requirements for legal or covenant defeasance or discharge of the applicable indenture have been satisfied; (e) the subsidiary is liquidated or dissolved in accordance with the applicable indenture; or (f) the occurrence of any covenant suspension. 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.

In March 2020, the SEC adopted final rules that amend the financial disclosure requirements for subsidiary issuers and guarantors of registered debt securities under Rule 3-10 of Regulation S-X, permitting registrants to disclose summarized financial information for such subsidiary issuers and guarantors. The rule was effective January 4, 2021.

The summarized financial information for the Obligor Group follows:

(in millions)	Three Months Ended March 31, 2021 Obligor Group
Net sales to unrelated parties	$ 823.0
Net sales to non-obligor subsidiaries	$ 16.7
Gross profit	$ 348.2
Income from continuing operations	$ 89.7
Net income attributable to Tempur Sealy International, Inc.	$ 89.7

(in millions)	Obligor Group March 31, 2021	Obligor Group December 31, 2020
ASSETS		
Receivables due from non-obligor subsidiaries	$ 13.9	$ 13.8
Other current assets	642.5	418.4
Total current assets	656.4	432.2
Loan receivable from non-obligor subsidiaries	162.2	184.8
Goodwill and other intangible assets, net	1,089.2	1,092.5
Other non-current assets	740.0	741.5
Total non-current assets	1,991.4	2,018.8
LIABILITIES		
Payables due to non-obligor subsidiaries	13.7	15.2
Other current liabilities	646.8	618.5
Total current liabilities	660.5	633.7
Loan payable to non-obligor subsidiaries	0.1	14.5
Other non-current liabilities	2,223.9	1,689.2
Total non-current liabilities	$ 2,224.0	$ 1,703.7

Share Repurchase Program

Our Board of Directors authorized a share repurchase program in 2016 pursuant to which we were authorized to repurchase shares of our common stock. On February 11, 2021, the Board of Directors authorized an increase of $211.4 million, to the existing share repurchase authorization of Tempur Sealy International's common stock. During the three months ended March 31, 2021, we repurchased 8.4 million shares under our share repurchase program for $299.8 million. As of March 31, 2021, we had $113.2 million remaining under our share repurchase authorization. On April 29, 2021, the Board of Directors authorized an additional increase to the share repurchase authorization bringing the total authorization to $400.0 million. Share repurchases under this program may be made through open market transactions, negotiated purchases or otherwise, at times and in such amounts as management deems appropriate. These repurchases may be funded by operating cash flows and/or borrowings under our debt arrangements. The timing and actual number of shares repurchased will depend on a variety of factors including price, financing and regulatory requirements and other market conditions. The program is subject to certain limitations under our debt agreements. The program does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. Repurchases may be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when we might otherwise be precluded from doing so under federal securities laws.

We will manage our share repurchase program based on current and expected cash flows, share price and alternative investment opportunities. For a complete description of our share repurchase program, please refer to ITEM 5 under Part II, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," in the 2020 Annual Report. Please also refer to "Issuer Purchases of Equity Securities" in ITEM 2(c) of Part II of this Report.

Future Liquidity Sources and Uses

As of March 31, 2021, we had $1,102.6 million of liquidity, including $290.5 million of cash on hand and $724.9 million available under our revolving senior secured credit facility. We also had availability of $87.2 million under our securitization facility. In addition, we expect to generate significant cash flow from operations in the full year 2021. We believe that cash flow from operations, availability under our existing credit facilities and arrangements, current cash balances and the ability to obtain other financing, if necessary, will provide adequate cash funds for our foreseeable working capital needs, necessary capital expenditures and debt service obligations.

Our capital allocation strategy follows a balanced approach focused on supporting the business, returning shareholder value through share repurchases and quarterly dividends as well as opportunistic and strategic acquisition opportunities that enhance our global competitiveness. Additionally, we have taken capital structure actions to optimize our balance sheet, through extending the maturities of our long-term debt and lowering our annualized interest expense by approximately $23 million. We plan to take the following additional actions in 2021:

- For the second quarter of 2021, the Board of Directors has declared a dividend of $0.07 per share. The dividend is payable on May 27, 2021 to shareholders of record as of May 13, 2021.
- Repurchase at least 6% of shares outstanding over the course of 2021, subject to market conditions.
- We intend to use the net proceeds from the 2029 Senior Notes to redeem in full the $600.0 million 2026 Senior Notes. The remaining funds will be used for general corporate purposes.

As of March 31, 2021, we had $1,873.1 million in total debt outstanding and consolidated indebtedness less netted cash, which is a non-GAAP financial measure, of $1,673.1 million. Leverage based on the ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility, which is a non-GAAP financial measure, was 1.95 times for the trailing twelve months ended March 31, 2021. Our target range for our ratio of consolidated indebtedness less netted cash, which is a non-GAAP financial measure, is 2.0 to 3.0 times. Total cash interest payments related to our borrowings are expected to be approximately $50 million to $55 million in 2021.

On April 6, 2021, we entered into a new amendment to our Accounts Receivable Securitization that, among other things, extended its maturity date to April 6, 2023 and increased the overall limit from $120.0 million to $200.0 million.

Our debt service obligations could, under certain circumstances, have material consequences to our stockholders. Similarly, our cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that we may complete may also impact our cash requirements and debt service obligations. For information regarding the impact of COVID-19 on our business, including our liquidity and capital resources, please refer to "Risk Factors" contained in ITEM 1A of Part I of the 2020 Annual Report.

Non-GAAP Financial Information

We provide information regarding adjusted net income, adjusted EPS, adjusted operating income (expense), adjusted operating margin, EBITDA, adjusted EBITDA per credit facility, consolidated indebtedness and consolidated indebtedness less netted cash, which are not recognized terms under GAAP and do not purport to be alternatives to net income, earnings per share, operating income (expense), operating margin or an alternative to total debt as a measure of liquidity. We believe these non-GAAP financial measures provide investors with performance measures that better reflect our underlying operations and trends, providing a perspective not immediately apparent from net income, operating income (expense) and operating margin. The adjustments we make to derive the non-GAAP financial measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP financial measure, but which we do not consider to be the fundamental attributes or primary drivers of our business.

We believe that exclusion of these items assists in providing a more complete understanding of our underlying results from continuing operations and trends, and we use 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. These non-GAAP financial measures should be considered supplemental in nature and should not be construed as more significant than comparable financial 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 financial measures and a reconciliation to the nearest GAAP financial measure, please refer to the reconciliations on the following pages.

Adjusted Net Income and Adjusted EPS

A reconciliation of reported net income to adjusted net income and the calculation of adjusted EPS 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 below.

The following table sets forth the reconciliation of our reported net income to adjusted net income and the calculation of adjusted EPS for the three months ended March 31, 2021 and 2020:

	Three Months Ended	
(in millions, except per share amounts)	**March 31, 2021**	**March 31, 2020**
Net income	$ 130.5	$ 59.7
Loss from discontinued operations, net of tax [(1)]	0.2	1.2
Loss on extinguishment of debt [(2)]	5.0	—
Customer-related charges [(3)]	—	11.7
Incremental operating costs [(4)]	—	2.3
Accounting standard adoption [(5)]	—	1.5
Tax adjustments [(6)]	(1.1)	(3.9)
Adjusted net income	$ 134.6	$ 72.5
Adjusted earnings per share, diluted	$ 0.64	$ 0.34
Diluted shares outstanding	210.1	216.0

(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 first quarter of 2021, we recognized $5.0 million of loss on extinguishment of debt associated with the redemption of the remaining amount outstanding on the 2023 senior notes.

(3) In the first quarter of 2020, we recorded $11.7 million of customer-related charges in connection with the bankruptcy of Art Van Furniture, LLC and affiliates to fully reserve trade receivables and other assets associated with this account.

(4) In the first quarter of 2020, we recorded $2.3 million of charges related to the global pandemic.

(5) In the first quarter of 2020, we recorded $1.5 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within our covenant compliance calculation.

(6) Adjusted income tax provision represents the tax effects associated with the aforementioned items.

Adjusted Operating Income (Expense) and Operating Margin

A reconciliation of operating income (expense) and operating margin to adjusted operating income (expense) and adjusted operating margin, respectively, are 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 below.

The following table sets forth our reported gross profit and operating income (expense) for the three months ended March 31, 2021. We had no adjustments to gross profit and operating income (expense) for the three months ended March 31, 2021.

	Three Months Ended March 31, 2021						
(in millions, except percentages)	Consolidated	Margin	North America	Margin	International	Margin	Corporate
Net sales	$ 1,043.8		$ 883.3		$ 160.5		$ —
Gross profit	$ 458.9	44.0 %	$ 363.9	41.2 %	$ 95.0	59.2 %	$ —
Operating income (expense)	$ 188.4	18.0 %	$ 173.4	19.6 %	$ 46.2	28.8 %	$ (31.2)

The following table sets forth our reported gross profit and the reconciliation of our operating income (expense) and operating margin to the calculation of adjusted operating income (expense) and adjusted operating margin for the three months ended March 31, 2020. We had no adjustments to gross profit for the three months ended March 31, 2020.

	Three Months Ended March 31, 2020						
(in millions, except percentages)	Consolidated	Margin	North America	Margin	International	Margin	Corporate
Net sales	$ 822.4		$ 692.3		$ 130.1		$ —
Gross profit	$ 357.1	43.4 %	$ 281.2	40.6 %	$ 75.9	58.3 %	$ —
Operating income (expense)	$ 105.3	12.8 %	$ 101.6	14.7 %	$ 26.4	20.3 %	$ (22.7)
Adjustments:							
Customer-related charges (1)	11.7		11.7		—		—
Incremental operating costs (2)	2.3		—		2.3		—
Accounting standard adoption (3)	1.5		1.5		—		—
Total adjustments	15.5		13.2		2.3		—
Adjusted operating income (expense)	$ 120.8	14.7 %	$ 114.8	16.6 %	$ 28.7	22.1 %	$ (22.7)

(1) In the first quarter of 2020, we recorded $11.7 million of customer-related charges in connection with the bankruptcy of Art Van Furniture, LLC and affiliates to fully reserve trade receivables and other assets associated with this account.

(2) In the first quarter of 2020, we recorded $2.3 million of charges related to the global pandemic.

(3) In the first quarter of 2020, we recorded $1.5 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within our covenant compliance calculation.

EBITDA, Adjusted EBITDA per Credit Facility and Consolidated Indebtedness less Netted Cash

The following reconciliations are provided below:

- Net income to EBITDA and adjusted EBITDA per credit facility
- Ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility
- Total debt, net to consolidated indebtedness less netted cash

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

The 2019 Credit Agreement provides the definition of adjusted EBITDA ("adjusted EBITDA per credit facility"). Accordingly, we present adjusted EBITDA per credit facility to provide information regarding our compliance with requirements under the 2019 Credit Agreement.

The following table sets forth the reconciliation of our reported net income to the calculations of EBITDA and adjusted EBITDA per credit facility for the three months ended March 31, 2021 and 2020:

	Three Months Ended	
(in millions)	**March 31, 2021**	**March 31, 2020**
Net income	$ 130.5	$ 59.7
Interest expense, net	12.3	20.3
Loss on extinguishment of debt (1)	5.0	—
Income taxes	40.5	23.5
Depreciation and amortization	41.8	31.0
EBITDA	$ 230.1	$ 134.5
Adjustments:		
Loss from discontinued operations, net of tax (2)	0.2	1.2
Customer-related charges (3)	—	11.7
Incremental operating costs (4)	—	2.3
Accounting standard adoption (5)	—	1.5
Adjusted EBITDA per credit facility	$ 230.3	$ 151.2

(1) In the first quarter of 2021, we recognized $5.0 million of loss on extinguishment of debt associated with the redemption of the remaining amount outstanding on the 2023 senior notes.

(2) 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.

(3) In the first quarter of 2020, we recorded $11.7 million of customer-related charges in connection with the bankruptcy of Art Van Furniture, LLC and affiliates to fully reserve trade receivables and other assets associated with this account.

(4) In the first quarter of 2020, we recorded $2.3 million of charges related to the global pandemic.

(5) In the first quarter of 2020, we recorded $1.5 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within our covenant compliance calculation.

The following table sets forth the reconciliation of our net income to the calculations of EBITDA and adjusted EBITDA per credit facility for the trailing twelve months ended March 31, 2021:

(in millions)		**Trailing Twelve Months Ended March 31, 2021**
Net income	$	419.6
Interest expense, net		69.0
Loss on extinguishment of debt (1)		10.1
Income tax provision		119.6
Depreciation and amortization		165.7
Aspirational plan amortization (2)		49.4
EBITDA	$	833.4
Adjustments:		
Income from discontinued operations, net of tax (3)		(1.0)
COVID-19 charges (4)		7.9
Asset impairments (5)		7.0
Incremental operating costs (6)		4.9
Restructuring costs (7)		3.8
Aspirational plan employer costs (8)		2.3
Accounting standard adoption (9)		2.1
Facility expansion costs (10)		0.6
Other income (11)		(2.3)
Adjusted EBITDA per credit facility	$	858.7
Consolidated indebtedness less netted cash	$	1,673.1
Ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility		1.95 times

(1) In the first quarter of 2021, we recognized $5.0 million of loss on extinguishment of debt associated with the redemption of the remaining amount outstanding on the 2023 senior notes. In the third and fourth quarter of 2020, we recognized a total of $5.1 million of loss on extinguishment of debt associated with the partial redemption of the 2023 senior notes and early repayment of the 364-day term loan.

(2) In 2020, we recognized $49.4 million of performance-based stock compensation amortization related to our long-term aspirational awards.

(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) In 2020, adjusted EBITDA per credit facility excluded $7.9 million of COVID-19 charges associated with temporarily closed company-owned retail stores and sales force retention costs.

(5) In 2020, we recorded $7.0 million of asset impairment charges related to the write-off of certain sales and marketing assets.

(6) In 2020, we recorded $4.9 million of incremental operating costs associated with the global pandemic.

(7) In 2020, we incurred $3.8 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment.

(8) In 2020, we recognized $2.3 million of employer-related tax costs related to the aspirational plan compensation.

(9) During 2020, we recorded $2.1 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within our covenant compliance calculation.

(10) In 2020, we recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

(11) In 2020, we recorded $2.3 million of other income related to the sale of a manufacturing facility.

Under the 2019 Credit Agreement, the definition of adjusted EBITDA (which we refer to as "adjusted EBITDA per credit facility") contains certain restrictions that limit adjustments to net income when calculating adjusted EBITDA. For the trailing twelve months ended March 31, 2021, our adjustments to net income when calculating adjusted EBITDA did not exceed the allowable amount under the 2019 Credit Agreement.

The ratio of consolidated indebtedness less netted cash to adjusted EBITDA per credit facility is 1.95 times for the trailing twelve months ended March 31, 2021. The 2019 Credit Agreement requires us to maintain a ratio of consolidated indebtedness less netted 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 indebtedness less netted cash as of March 31, 2021. "Consolidated Indebtedness" and "Netted Cash" are terms used in the 2019 Credit Agreement for purposes of certain financial covenants.

(in millions)	**March 31, 2021**
Total debt, net	$ 1,860.1
Plus: Deferred financing costs [(1)]	13.0
Consolidated indebtedness	1,873.1
Less: Netted cash [(2)]	200.0
Consolidated indebtedness less netted cash	$ 1,673.1

(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 purposes of determining netted cash for financial covenant purposes under the 2019 Credit Agreement, the aggregate amount of netted cash is not permitted to exceed $200.0 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 the 2020 Annual Report. There have been no material changes to our critical accounting policies and estimates in 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exposures

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. As the U.S. dollar strengthens relative to the Euro or other foreign currencies where we have operations, there will 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 positively impacted our adjusted EBITDA per credit facility, which is a non-GAAP financial measure, by 1.7% in the three months ended March 31, 2021.

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 March 31, 2021, resulting from a hypothetical 10.0% adverse change in all foreign currency exchange rates against the U.S. dollar, is approximately $6.8 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

As of March 31, 2021, we had variable-rate debt of approximately $403.4 million. A sensitivity analysis indicates that, 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 $4.0 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 March 31, 2021, 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.

Changes in internal control over financial reporting:

During the first quarter of 2021, the Company implemented a new enterprise resource planning (“ERP") system to replace the operational and financial systems for its Tempur U.S. distribution subsidiary. The Company completed significant pre-implementation testing and post-implementation testing and monitoring to ensure the effectiveness of internal controls over financial reporting. As a result of this implementation, the Company modified certain existing internal controls over financial reporting and implemented new controls and procedures related to the new ERP system. During the first quarter of 2021, no other changes occurred in the Company’s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company will continue to evaluate and monitor the internal controls over financial reporting during this period of change and will continue to evaluate the operating effectiveness of related key controls.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings can be found in Note 10, "Commitments and Contingencies," of the "Notes to Condensed Consolidated Financial Statements," under Part I, ITEM 1, "Financial Statements" of this Report and is incorporated by reference herein.

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 March 31, 2021:

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)*[(2)]
January 1, 2021 - January 31, 2021	736,605	(1)	$27.13	261,705	$194.2
February 1, 2021 - February 28, 2021	1,982,779	(1)	$32.95	1,980,528	$340.4
March 1, 2021 - March 31, 2021	6,122,789	(1)	$37.19	6,108,392	$113.2
Total	8,842,173			8,350,625	

(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.

(2) In February 2021, the Board of Directors increased the authorization under the Company's share repurchase program by an additional $211.4 million. Additionally, in April 2021, the Board of Directors authorized an additional increase under the program bringing the total authorization to $400.0 million.

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:

4.1	Indenture, dated as of March 25, 2021 among Tempur Sealy International, Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed on March 25, 2021). (1)
10.1	Purchase Agreement, dated March 11, 2021 among Tempur Sealy International, Inc., the Guarantors named therein, and J.P. Morgan Securities LLC, as representative of the Initial Purchasers named therein (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on March 16, 2021). (1)
10.2	Omnibus Amendment No. 2, dated as of April 6, 2021, by and among Tempur Sealy International, Inc., Tempur Sealy Receivables, LLC, Tempur-Pedic North America, LLC, Sealy Mattress Manufacturing Company, LLC, Sumitomo Mitsui Banking Corporation, as lender, and Wells Fargo Bank, National Association, as administrative agent and as lender (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on April 8, 2021). (1)
10.3	Annex A to Omnibus Amendment No. 2 - Amended and Restated Receivables Sale Agreement, dated as of April 6, 2021, by and between Sealy Mattress Manufacturing Company, LLC, as seller, and Tempur-Pedic North America, LLC, as purchaser (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed on April 8, 2021). (1)
10.4	Annex B to Omnibus Amendment No. 2 - Amended and Restated Receivables Sale and Contribution Agreement, dated as of April 6, 2021, by and between Tempur-Pedic North America, LLC, as seller and contributor, and Tempur Sealy Receivables, LLC, as purchaser and contributee (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K as filed on April 8, 2021). (1)
10.5	Annex C to Omnibus Amendment No. 2 - Amended and Restated Credit and Security Agreement, dated as of April 6, 2021, among Tempur Sealy International, Inc., as master servicer, Tempur Sealy Receivables, LLC, as borrower, the Lenders from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed on April 8, 2021). (1)
10.6	2021 Amended and Restated Non-Employee Director Compensation Plan. (2)
22	List of Subsidiary Guarantors
31.1	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
31.2	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
32.1*	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
101	The following materials from Tempur Sealy International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline 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 Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL.

(1) Incorporated by reference.

(2) 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: May 6, 2021	By:	/s/ BHASKAR RAO
		Bhaskar Rao
		Executive Vice President and Chief Financial Officer

As Adopted May 6, 2021

TEMPUR SEALY INTERNATIONAL, INC.
2021 AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

EFFECTIVE MAY 6, 2021

1. Purpose; Effective Date; Sub-Plan; Definitions.

(a) Purpose. The purpose of the Tempur Sealy International, Inc. 2021 Amended and Restated Non-Employee Director Compensation Plan (the "Plan") is to promote the interests of Tempur Sealy International, Inc. (the "Company") and its stockholders by strengthening the Company's ability to attract, motivate and retain directors of experience and ability, and to encourage the highest level of director performance by providing directors with (i) a proprietary interest in the Company's financial success and growth through the ability to elect to receive compensation in shares of Company's common stock, $0.01 par value per share ("Common Stock") and (ii) the ability to defer compensation.

(b) Effective Date. This Plan is effective as of May 6, 2021 (the "Effective Date").

(c) Relationship to 2013 Equity Incentive Plan. From the Effective Date, this Plan is maintained under the Company's 2013 Equity Incentive Plan, as amended from time to time (the "2013 EIP"), and any shares of Common Stock to be delivered pursuant to this Plan shall be issued under the 2013 EIP.

(d) Definitions. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP. As used in this Plan, the following terms shall have the following meanings:

(i) "*Award Agreement*" shall mean an award agreement under the 2013 EIP in substantially the form attached hereto as Exhibit A, or such other form approved from time to time by the Committee.

(ii) "*Board*" shall mean the Board of Directors of the Company.

(iii) "*Board Year*" shall mean the term of service for a member of the Board commencing upon election or re-election at the Company's Annual Meeting of Stockholders or upon appointment of a Director during a calendar year, and ending at the next Annual Meeting of Stockholders.

(iv) "*Committee*" shall mean the Compensation Committee of the Board.

(v) "*Director*" shall mean a non-employee member of the Board.

(vi) "*Election Form*" shall mean the election form in substantially the form attached hereto as Exhibit B, or such other form approved from time to time by the Committee.

(vii) "*Participant*" shall mean any Director.

(viii) "*RSUs*" shall mean restricted stock units.

(ix) "*Separation from Service*" shall mean a Participant's death, retirement or other termination of association with the Company; *provided* that such separation constitutes a separation from service for purposes of Section 409A of the Code.

2. Eligibility. Only Directors shall be eligible to participate in this Plan.

3. Terms and Conditions of Restricted Stock Units. Each RSU granted to a Director for service for an upcoming Board Year or, for a Director appointed during a calendar year, for the balance of the then current Board Year is subject to vesting as set forth in the applicable Award Agreement. Upon vesting, a Director shall be issued the shares of Common Stock to which the Director is entitled, unless the Director has elected to defer receipt as permitted herein.

4. Deferral Election. No later than December 31st of the year prior to the applicable grant date of any RSUs, a Director may irrevocably elect, in accordance with procedures established by the Committee, that all of the shares of Common Stock issuable to the Director upon the vesting of such RSUs shall not be distributed on the vesting date but shall be deferred until the date of the Director's Separation from Service. Election Forms shall not carry over from year to year.

5. Special Rule for Initial Elections. Any Director who first becomes a Director after the Effective Date may make an initial election under *Section 4* with respect to (i) RSUs payable for the Board Year in which he or she becomes a Director and (ii) RSUs payable for a Board Year that begins on or after, but in the same calendar year, as the date he or she becomes a Director. These elections may be made within thirty (30) days after becoming a Director. However, no election under *Section 4* shall be allowed under these timing rules if the Director has been eligible to participate in any other nonqualified deferred compensation plan of the Company or any entity treated as a single employer with the Company under Sections 414(b) or (c) of the Code other than as an employee, which other nonqualified deferred compensation plan is an account balance plan allowing the deferral of compensation at the election of the Director (each, an "Aggregated Plan"). An Aggregated Plan shall not be taken into account for purposes of this *Section 5* after the Director ceased to be eligible to defer compensation thereunder (other than through the accrual of earnings), provided either (i) all amounts due the Director under the Aggregated Plan have been paid to him or her, or (ii) he or she has not been eligible to defer compensation thereunder (other than through the accrual of earnings) for a period of at least twenty-four (24) months.

6. Accounts.

(a) Accounts. The Company shall establish on its books an account (an "Account") for each Participant, denominated in RSUs, each representing a conditional right to a share of Common Stock. RSUs granted under an Award Agreement shall be credited to the Participant's Account based on the number of shares of Common Stock specified in the Award Agreement.

(b) Dividend Credits. As of each date for payment of any cash dividend or other cash distribution on the Company's Common Stock, each Participant's Account (as a separately designated notional book-keeping sub-account in respect of cash crediting) shall be credited, as determined by the Committee in its sole discretion, with either (x) a number of shares of Common Stock equal to (i) the total amount of any such dividend or distribution that would have been paid on the number of outstanding RSUs (whether or not vested or unvested) recorded in the balance of that Participant's Account as of the record date for such dividend divided by (ii) the value of a share of Common Stock on the payment date for such dividend, based on the closing price of Company Common Stock on the NYSE on such payment date, rounded up or down to the nearest whole share or (y) an amount equal to the total amount of any such dividend or distribution that would have been paid on the number of outstanding RSUs (whether or not vested) recorded in the balance of that Participant's Account as of the record date for such dividend. Shares or cash credited in lieu of dividends or distributions shall be subject to the same provisions (including vesting), and time of payment determinations, as the RSUs in respect of which such additional credits are made.

(c) Vesting of RSUs. RSUs (and any dividends) credited to a Participant's Account shall remain subject to a Risk of Forfeiture in accordance with the terms and conditions of the applicable Award Agreement as well as the provisions of *Section 11* below (including any provision for accelerated vesting on certain changes of control pursuant to Section 9 of the 2013 EIP). Notwithstanding any provision of this Plan to the contrary, no Participant or other person shall have any right or claim under this Plan with respect to a RSU credited to the Participant's Account but forfeited in accordance with the terms and conditions of the applicable Award Agreement.

(d) Effect of Corporate Transaction on Stock Accounts. If at any time subsequent to the Effective Date, the outstanding shares of Common Stock (or any other securities covered by this Plan by reason of the prior application of this Section) are adjusted, modified, increased, decreased, or exchanged for a different number or kind of shares, securities or other property (including cash), as a result of a merger or consolidation, reorganization, recapitalization, reclassification, or stock dividend, stock split, or reverse stock split, an appropriate and proportionate adjustment will be made in accordance with Section 8 of the 2013 EIP in the number RSUs credited to Accounts under this Plan.

(e) Statement of Account. At the end of each Board Year, and at such other date or dates during a year as the Company may determine, the Company shall issue or shall cause to be issued to each Participant a statement setting forth the balance of the Participant's Account under this Plan.

7. Payment of Deferred RSUs.

(a) In General. Subject to the balance of *Section 7*, distributions of a Participant's Account of deferred RSUs under this Plan shall be made upon Separation from Service, as provided in *Section 4*.

(b) Timing of Distribution to Satisfy Applicable Law. The Committee or Board may delay any distribution from an Account if it reasonably anticipates that the making of the distribution will violate federal securities laws or other applicable laws until the earliest date that the Committee or Board reasonably anticipates that the making of such distribution will not cause such a violation. If advisable to avoid exposing a Participant to a claim for recovery of short swing profits under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prior to the payment of the amount reflected in the Participant's Account, such payment must be approved in advance by the Board or a committee comprised solely of "non-employee directors" as defined in Rule 16(b)-3(b)(3) under the Exchange Act.

(c) Form of Payments. Distribution of deferred RSUs shall be made in the form of whole shares of Common Stock equal to the number of RSUs credited to the Participant's Account or, in respect of any cash credited pursuant to Section 6(b) hereof, cash equal to the amount of cash credited to the Participant's Account, in each case, as of the relevant date. Each Participant or beneficiary agrees that prior to any distribution under this Plan, he or she will make such representations and execute such documents as are deemed by the Committee or Board to be necessary to comply with applicable laws.

8. Designation of Beneficiaries; Death. Each Participant shall have the right, at any time, to designate any person or persons as the Participant's beneficiary or beneficiaries (both primary as well as secondary) to whom shares and/or cash in respect of RSUs under this Plan shall be delivered in the event of the Participant's death prior to complete distribution of the benefits due under this Plan. Each beneficiary designation shall be in written form prescribed by the Company and will be effective only if filed with the Company during the Participant's lifetime. Such designation may be changed by the Participant at any time without the consent of a beneficiary. If no designated beneficiary survives the Participant, the balance of the Participant's shares and/or cash in respect of vested RSUs shall be delivered to the Participant's surviving spouse or, if no spouse survives, to the Participant's estate. Upon the death of a Participant, any shares and/or cash in respect of RSUs shall be delivered, within forty-five (45) days after the Participant's death, in a single distribution.

9. Administration.

(a) Committee Duties. This Plan shall be administered by the Committee, which shall have all of the authority expressly granted to the Committee and the Company under this Plan; *provided, however,* that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned to the Committee under this Plan and when so acting shall have the benefit of all of the provisions of this Plan pertaining to the Committee's exercise of its authority hereunder. The Committee shall have responsibility for the general administration of this Plan and for carrying out its intent and provisions. The Committee shall have plenary authority in its discretion to interpret this Plan; to prescribe, amend and rescind rules and regulations relating to it; to determine the terms of the Election Forms and Award Agreements executed and delivered under this Plan, including such terms and provisions as shall be requisite in the judgment of the Committee to conform to any change in any law or regulation applicable thereto; and have such powers and duties as may be necessary to discharge its responsibilities. The Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel, who may be counsel to the Company.

(b) Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of this Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in this Plan.

10. Amendment and Termination of this Plan.

(a) Amendment. The Committee may at any time amend this Plan in whole or in part subject to any restrictions on modifications or amendments as provided in the 2013 EIP; provided, however, that no amendment shall affect the terms of any previously deferred RSUs or the terms of any irrevocable Election Form or Award Agreement of any Participant.

(b) Termination. The Committee or Board may at any time terminate this Plan, provided the termination does not occur proximate to a downturn in the financial health of the Company and there are then being terminated nonqualified deferred compensation plans which would be Aggregated Plans if the same non-employee individual were eligible to participate in this Plan and all such plans. In the event of a termination of this Plan under this *Section 10(b)*, this Plan shall continue to operate for a period selected by the Board or Committee of at least twelve (12) months from the date the Board or Committee takes irrevocable action to terminate this Plan and this Plan shall continue to pay benefits otherwise payable under the terms of this Plan absent termination of this Plan. On a date selected by the Board or Committee that is more than twelve (12) months from the date the Board or Committee took irrevocable action to terminate this Plan, this Plan shall cease to operate and the Company shall determine the balance of each Participant's Account as of the close of business on such date and the Company shall pay out such Account balances to the Participants in a single distribution as soon as practicable after such date, but in no event shall such distribution be made later than twenty-four (24) months after the date the Board or Committee took action to terminate this Plan. In the event of termination of this Plan under this *Section 10(b)*, the Company shall not establish another nonqualified deferred compensation plan providing elective deferrals on the part of Directors if the same non-employee individual were eligible to participate in this Plan and such plan is within three (3) years of the Board or Committee taking irrevocable action to terminate this Plan.

(c) Termination on Change in Control. The Committee or Board may also terminate this Plan by irrevocable action at any time within thirty (30) days prior to or within twelve (12) months following a "change of control" (as defined for purposes of Section 409A of the Code), provided there are then being terminated all Aggregated Plans as to any Participant affected by the change of control. In the event of a termination of this Plan under this *Section 10(c)*, on a date selected by the Board or Committee that is no more than twelve (12) months from the date the Board or Committee took action to terminate this Plan, this Plan shall cease to operate, the Company shall determine the balance of each Participant's Account as of the close of business on such date and the Company shall pay out such Account balances to the Participants in a single distribution as soon as practicable after such date, but in no event later than twelve (12) months after the date the Board or Committee took action to terminate this Plan.

11. Certain Remedies.

(a) If at any time within two (2) years after termination of a Participant's association with the Company and its Affiliates any of the following occur:

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

(ii) the Participant accepts employment or a consulting or advisory engagement with any Competitive Enterprise (as defined in *Section 11(c)*) of the Company or its Affiliates or the Participant otherwise engages in competition with the Company or its Affiliates;

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

(iv) the Participant fails to protect and safeguard while in his or her possession or control, or surrender to the Company upon termination of the Participant's association with the Company or any Affiliate or such earlier time or times as the Company or its Board 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 Participant;

(v) the Participant solicits or encourages any person or enterprise with which the Participant 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; or

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

(1) All of the RSUs and cash credited to the Participant's Account shall terminate and be cancelled effective as of the date on which the Participant entered into such activity, unless terminated or cancelled sooner by operation of another term or condition of this Plan or the 2013 EIP;

(2) any Stock acquired and held by the Participant pursuant to this Plan 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 gain realized by the Participant from the sale of Stock acquired pursuant to this Plan during the Applicable Period shall be paid by the Participant to the Company.

(b) The term "Applicable Period" shall mean the period commencing on the later of the date of an Award Agreement or the date which is one year prior to the Participant's termination of association with the Company or any Affiliate and ending two years from the Participant's termination of association with the Company or any Affiliate.

(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 Participant. At any time the Participant 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 Participant about the enterprise, and the determination will be valid for a period of ninety (90) days from the date of determination.

12. Right of Set Off. The Company may deduct from any amounts the Company or any Affiliate owes the Participant from time to time, any amounts the Participant owes the Company under *Section 11* above, provided that this set-off right may not be applied against wages, salary or other amounts payable to the Participant 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 Participant owes the Company, calculated as set forth above, the Participant agrees to pay immediately the unpaid balance to the Company upon the Company's demand.

13. Nature of Remedies.

(a) The remedies set forth in *Sections 11* and *12* 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 this Plan referring to the repurchase right set forth in *Section 11(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 11(a)* has occurred or is reasonably likely to occur.

14. Compliance with Laws.

(a) Government Regulations. This Plan, and the election of the deferral of RSUs thereunder, and the obligation of the Company to issue, sell and deliver shares and/or cash, as applicable, under the 2013 EIP, shall be subject to all applicable laws, rules and regulations.

(b) Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Plan comply with the provisions of Section 409A of the Code. This Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Board without the consent of the Participants in this Plan). Notwithstanding the foregoing, no particular tax result for a Participant with respect to any income recognized by the Participant in connection with this Plan is guaranteed under this Plan, and the Participant shall be responsible for any taxes imposed on the Participant in connection with this Plan.

15. Miscellaneous.

(a) No Interest in Assets. The Accounts shall be established solely for the purpose of determining the number of RSUs owed to Participants or beneficiaries under this Plan. Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of the Company. No assets of the Company shall be held under any trust for the benefit of the Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. The Company's obligation under this Plan shall be that of an unfunded and unsecured promise to deliver shares and/or cash in respect of RSUs in the future, and the rights of Participants and beneficiaries shall be no greater than those of unsecured general creditors of the Company. Nothing in this Plan shall be deemed to give any member of the Board any right to participate in this Plan, except in accordance with the provisions of this Plan.

(b) Non-assignability. Neither a Participant nor any other person shall have the right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the shares in respect of any RSUs, if any, deliverable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be non-assignable and nontransferable. No part of the shares deliverable in respect of any RSUs shall, prior to actual delivery, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

(c) Governing Law. The provisions of this Plan shall be construed and interpreted according to the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

(d) Validity. In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

(e) Notice. Any notice or filing required or permitted to be given to the Company or the Committee under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Secretary of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

(f) Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term "successors" as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

* * *

Exhibit A

TEMPUR SEALY INTERNATIONAL, INC.

2021 AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

Acknowledgement and Award Agreement
[Insert Board Member]

This Acknowledgement and Award Agreement (the “Agreement”), dated as of [_______ __, 20__], is between Tempur Sealy International, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and the individual identified below, residing at the address there set out (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 “2013 EIP”), the Company grants the Recipient an award (the “Award”) for [Insert total of RSUs] restricted stock units (“RSUs”) of the common stock, par value $0.01 per share, of the Company (the “Stock”) as compensation for the Recipient’s service as a member of the board of directors of the Company (the “Board”). This Award is granted as of [_______ __, 20__] (the “Grant Date”).

2. Rights of Restricted Stock Units. The RSUs granted in this Agreement shall be credited to the Recipient’s account under the Company’s 2021 Amended and Restated Non-Employee Director Compensation Plan (as the same may be amended from time to time, the “Director Compensation Plan”). All of the Recipient’s rights in or as a consequence of this grant of RSUs, to the extent the RSUs vest as determined in accordance with *Section 3* below, shall thereafter be determined under the Director Compensation Plan. As provided in the Director Compensation Plan, the Recipient shall have no rights to receive shares of Common Stock in or as a consequence of RSUs which do not vest as determined accordance with *Section 3* below, except as provided in *Section 4* below.

3. Vesting Period and Rights; Delivery Date; and Filings. The Award will vest in one installment as follows:

Number of Shares	Percentage of the Award	Vesting Date
[______]	100%	________ __, 20__

Subject to the provisions of *Section 4* below, the vesting is subject to the Recipient’s continued service on the Board of the Company on the vesting date as set forth above (the “Vesting Date”).

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 Service. If the Recipient’s membership with the Board of the Company ends for any reason, the Recipient forfeits all rights and interest in any unvested RSUs; *provided, however*, if the Recipient dies or the Recipient’s membership with the Board ends due to the Recipient’s long-term disability (within the meaning of Section 409A of the Code), all of the RSUs that have not become vested pursuant to *Section 3* as of the date of death or disability shall immediately vest.

5. Acceleration in Certain Cases. Pursuant to Section 9 of the 2013 EIP 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, any Risk of Forfeiture (as defined in the 2013 EIP) applicable to the RSUs shall lapse with respect to 50% of the RSUs still subject to such Risk of Forfeiture immediately prior to the Change of Control. For the purposes of this Agreement, "Change of Control" shall have the meaning set forth in the 2013 EIP, *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.

6. Incorporation of Plan Terms; Acknowledgments. Except as provided in *Section 5*, this Award is granted subject to all of the applicable terms and provisions of the 2013 EIP and the Director Compensation Plan. Without limiting the generality of the foregoing, the Recipient acknowledges that under the terms of the 2013 EIP and Director Compensation Plan:

(a) The Company may recover any payment under the Director Compensation Plan if within two years of the Recipient's termination of service with the Company he or she fails comply with certain covenants (including but not limited, competing with the Company and its Affiliates). 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 said *Sections 11* and *12* of the Director Compensation Plan (provided that the set-off right will 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) and agrees that 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 will pay immediately the unpaid balance to the Company upon the Company's demand.

(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 with respect to vested RSUs 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 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 RSUs are subject to this Agreement and Recipient's acceptance hereof shall constitute the Recipient's agreement to any administrative regulations of the Compensation Committee of the Company's Board (the "Committee"). In the event of any inconsistency between this Agreement and the provisions of the 2013 EIP or Director Compensation Plan, the provisions of such plans shall prevail.

(d) All decisions of the Committee upon any questions arising under the 2013 EIP or Director Compensation Plan or under these terms and conditions are conclusive and binding.

(e) During the Recipient's lifetime, no rights under the Director Compensation Plan related to the Award, the RSUs or any underlying Stock payable in satisfaction of vested RSUs, shall be transferable except by will or the laws of descent and distribution.

(f) 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.

(g) All Stock earned and delivered pursuant to this Agreement and the Director Compensation Plan 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 of the Code. 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.

7. Miscellaneous. Capitalized terms used but not defined herein shall have the meaning assigned under the 2013 EIP and the Director Compensation Plan. 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.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have executed this Agreement as of the date first above written.

TEMPUR SEALY INTERNATIONAL, INC.

By: ______________________________

Name: ______________________________

RECIPIENT

____

Name:

Recipient’s Address (update if you recently moved):

____

____

____

____

Exhibit B

TEMPUR SEALY INTERNATIONAL, INC.

2021 AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

ELECTION FORM

Director Information

Director Name: ____
Last First Initial

Director Address: ____
Street

____
City State Zip

Director SSN: ____

Background and Purpose

The Board of Directors (the "Board") upon recommendation of the Compensation Committee of Tempur Sealy International, Inc. (the "Company"), has approved payment of part of the compensation for the service of non-employee directors of the Board in the form of restricted stock units ("RSUs"). RSUs are subject to the terms of the Company's 2021 Amended and Restated Non-Employee Director Compensation Plan (as the same may be amended from time to time, the "Director Compensation Plan") and the Company's Amended and Restated 2013 Equity Incentive Plan, as amended from time to time (the "2013 EIP"). RSUs vest in accordance with the terms of an Award Agreement issued under the 2013 EIP and under and subject to the terms of the Director Compensation Plan and **are payable upon vesting - unless the director elects a later date of payment under the Director Compensation Plan**. The purpose of this Election Form is to notify the Company of the foregoing election, as follows:

- A "Deferral Election," enabling a non-employee director to elect to defer payment of any RSUs to the date of his or her Separation from Service (as defined in the Director Compensation Plan)

Capitalized terms used but not defined herein shall have the meaning assigned such terms under the 2013 EIP and Director Compensation Plan.

DEFERRAL ELECTION OF RSUs

☐ By checking the box, I hereby elect to defer any payment in respect of RSUs granted to me during the [20XX-20XX] Board Year, until my Separation from Service.

I understand that if I do not make the deferral election set forth above, *payment of the RSUs will be made when the RSUs vest*. I further understand these RSUs will vest as determined under the applicable Award Agreement and my receipt of vested RSUs is subject to my continued service on the Board during the Board Year and the other terms and conditions of the Director Compensation Plan. I understand if my service on the Board ends during the 20XX-20XX Board Year, I will forfeit any unvested RSUs, except as provided in the applicable Award Agreement.

Acknowledgement and Authorization

I understand that any elections on this Form will apply only to compensation payable for services as a non-employee director to be rendered in the [insert specific Board Year] Board Year. I further understand that all elections on this Form will become irrevocable on the December 31 preceding that Board Year. I hereby certify that the above participant information is true, accurate and complete.

Director ___________________________________ **Date** _________________________________

Accepted:

TEMPUR SEALY INTERNATIONAL, INC.

By: _______________________________

Name: _______________________________

Date: _______________________________

Exhibit 22

List of Subsidiary Guarantors

As of March 31, 2021, the subsidiaries of Tempur Sealy International, Inc. (the "Company") listed below have fully and unconditionally guaranteed the Company’s (i) 5.500% senior notes due 2026, in each case issued only by the Company.

Guarantor	**State of Incorporation**
Tempur World, LLC	Delaware
Tempur Franchising US, LLC	Delaware
Tempur-Pedic Technologies, Inc.	Delaware
Tempur-Pedic North America, LLC	Delaware
Tempur Production USA, LLC	Virginia
Tempur Retail Stores, LLC	Delaware
Tempur Sealy International Distribution, LLC	Delaware
Sealy Mattress Company	Ohio
Sealy Mattress Corporation	Delaware
The Ohio Mattress Company Licensing and Components Group	Delaware
Sealy, Inc.	Ohio
Sealy Ecommerce, LLC f/k/a Cocoon International Sales, LLC	Delaware
Sealy Mattress Company of Puerto Rico	Ohio
Sealy Mattress Manufacturing Company, LLC	Delaware
Sealy Technology LLC	North Carolina
Sealy US Sales, LLC	Delaware
Sleep Outfitters Outlet, LLC, f/k/a Burlington Mattress Co. LLC	Delaware
Comfort Revolution, LLC	Delaware
Sleep Outfitters USA, LLC	Delaware
Tempur Holding, LLC	Delaware
Tempur Sherwood, LLC	Delaware
Sherwood Southeast, LLC	Florida
Sherwood Southwest, LLC	Florida
Sherwood Midwest, LLC	Florida
Sherwood West, LLC	Delaware
Sherwood Northeast, LLC	Delaware

Exhibit 31.1

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

I, Scott L. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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: May 6, 2021	By:	/s/ SCOTT L. THOMPSON
		Scott L. Thompson
		Chairman, President and Chief Executive Officer

Exhibit 31.2

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 March 31, 2021 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: May 6, 2021

By: /s/ BHASKAR RAO

Bhaskar Rao
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 March 31, 2021, 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: May 6, 2021	By:	/s/ SCOTT L. THOMPSON
		Scott L. Thompson
		Chairman, President and Chief Executive Officer
Date: May 6, 2021	By:	/s/ BHASKAR RAO
		Bhaskar Rao
		Executive Vice President and Chief Financial Officer