

## Tempur Sealy International, Inc. (TPX)

“Success is strengthening  
our Iconic Brands  
while driving higher  
ROIC through  
focused execution”



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### Overview:

- Strong global brands serving all price points
- Omni-channel distribution balanced between wholesale and direct to consumer
- Global manufacturing footprint
- Structural growth industry, with high ROIC and robust free cash flow
- Industry is relatively concentrated in US and fragmented globally

# Delivering Shareholder Value

## Focus on long-term initiatives:

- Develop the most innovative bedding products in all the markets we serve
- Invest significant marketing dollars to promote our worldwide brands
- Optimize worldwide distribution to be where consumers want to shop
- Drive increases in EBITDA

## 2019 New Products

TEMPUR+SEALY





## Designed to Win at Retail

- Market-Leading Product
- Clear Differentiation between Price Points
- Easier Selling to Drive Higher ASP's

## Putting the Consumer First

- Simplification & Consistency
- Consumer-Led Language
- Raising the Innovation Quotient



TEMPUR+SEALY

# TEMPUR-PEDIC



Launching the innovative, new breeze°,  
completes the largest rollout in Tempur history...

...designed to improve product mix,  
with all night cooling.

## STRONGER TEMPUR-PEDIC FAMILY

### TEMPUR-ADAPT

ADAPT

PROADAPT

LUXEADAPT

SOFT

SOFT

MEDIUM

MEDIUM

FIRM

FIRM

HYBRID

HYBRID

**\$2,199**

**\$2,999**

**\$3,999**

### TEMPUR-BREEZE

PRObreeze<sup>o</sup>

LUXEbreeze<sup>o</sup>

SOFT

MEDIUM

FIRM

HYBRID

**\$3,799**

**\$4,499**

# breeze° 2019



# SLEEP TEMPERATURE IS THE #1 UNMET CONSUMER NEED



**62%** of American bedrooms have at  
least one **hot** sleeper



WHEN YOU LIE DOWN



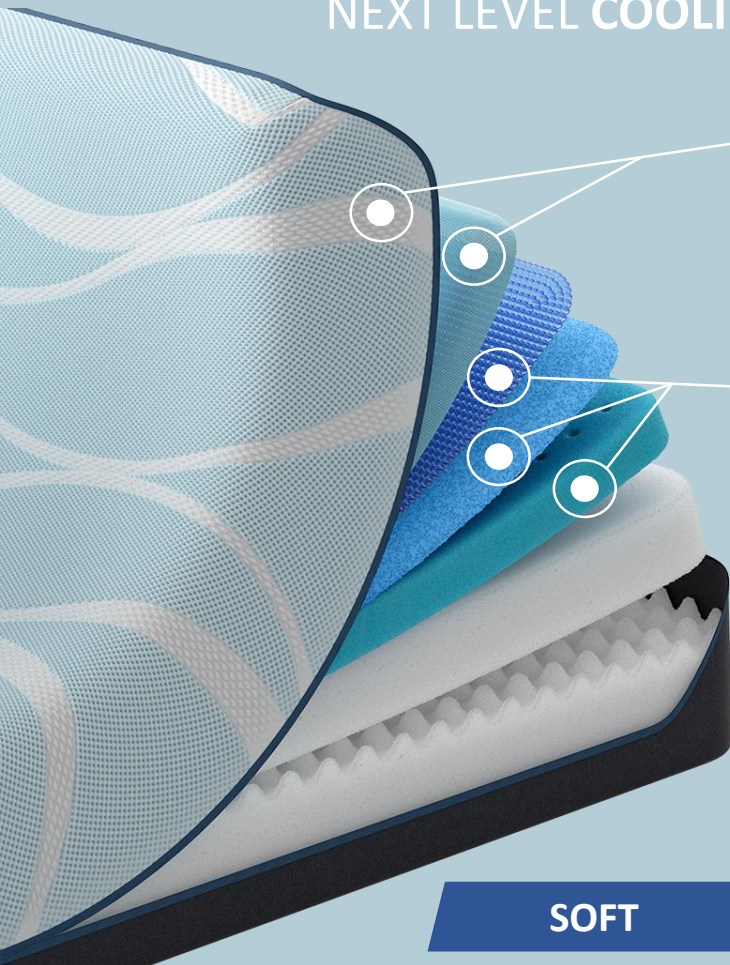
WHEN YOU FALL ASLEEP



ALL NIGHT LONG

# NEW TEMPUR-LUXE**breaze**°

NEXT LEVEL COOLING COMFORT



## OUTSIDE

### SMARTCLIMATE MAX DUAL COVER SYSTEM

*An enhanced zip-off cover with double the cool-to-touch power combined with a super-stretch inner layer so you feel cooler when you lie down.*

## INSIDE

### PURECOOL+ Phase Change Material

*Exclusive, next-generation technology absorbs excess heat so you feel cooler while you fall asleep*

### TEMPUR-CM+ Material

*Advanced TEMPUR® Material redesigned with maximum airflow for all-night cooling comfort*

### Ventilated TEMPUR-APR Material

*Our most pressure-relieving material ever – now with an all-new, ultra-breathable design for all-night cooling comfort*

13" PROFILE  
**\$4,499 SRP**

**SOFT**

**FIRM**

TOTALLY REDESIGNED FROM COVER TO CORE

**8 DEGREES  
COOLER**



**SMARTCLIMATE  
Dual Cover System**



**PureCool+ Technology**



**TEMPUR-CM+**

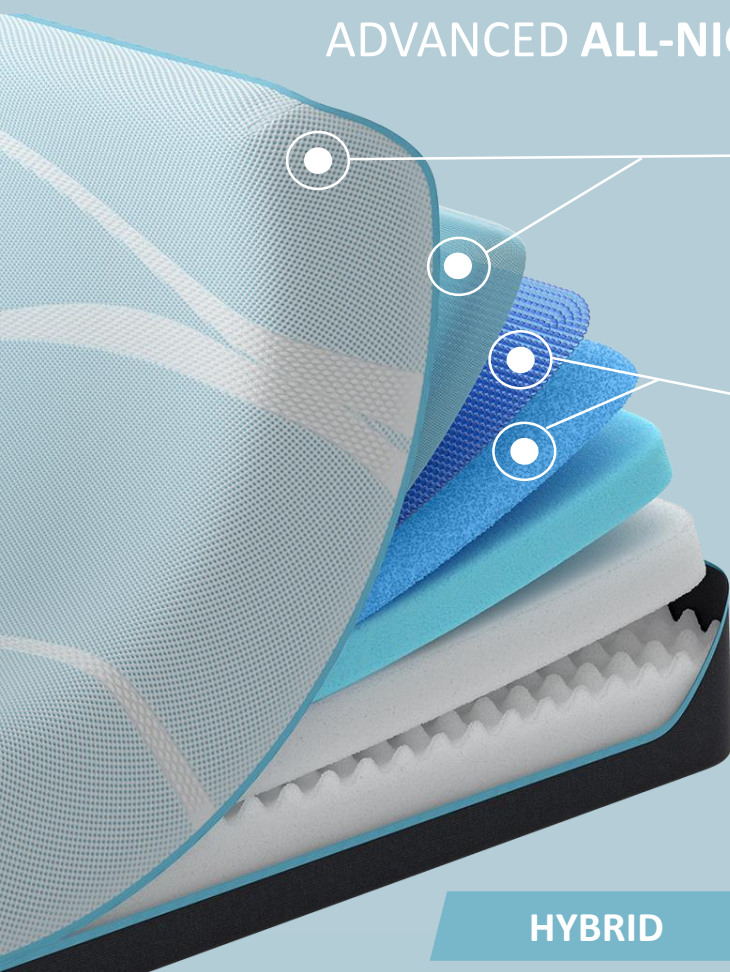


**Ventilated  
TEMPUR-APR Material**



## NEW TEMPUR-PRObreeze<sup>o</sup>

ADVANCED ALL-NIGHT COOLING - 3° cooler



### OUTSIDE

#### SMARTCLIMATE DUAL COVER SYSTEM

*A zip-off, cool-to-touch outer layer combined with a super-stretch inner layer so you feel cooler when you lie down*

### INSIDE

#### PURECOOL+ Phase Change Material

*Exclusive, next-generation technology absorbs excess heat so you feel cooler while you fall asleep*

#### TEMPUR-CM+ Material

*Advanced TEMPUR® Material redesigned with maximum airflow for all-night cooling comfort*

12" PROFILE

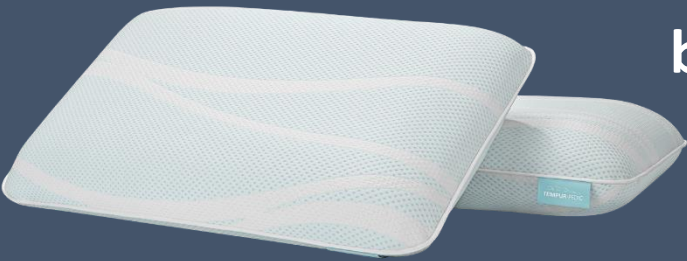
**\$3,799** SRP

**HYBRID**

**MEDIUM**

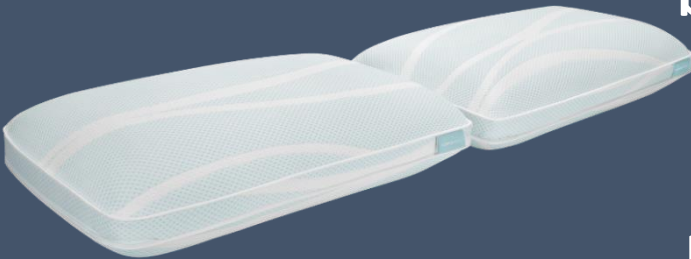


## NEW breeze° PILLOW COLLECTION



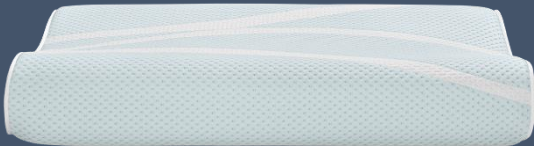
**breeze° ProLo**

Qn \$199



**breeze° ProHi**

Qn \$199



**breeze° Neck**

Std \$149

### INSIDE

**DUAL COOL CORE**  
PATENTED DUAL-SIDED GEL

### OUTSIDE

**SMARTCLIMATE COVER**  
COOL-TO-TOUCH, ZIP-OFF  
AND WASHABLE



# STEARNS & FOSTER

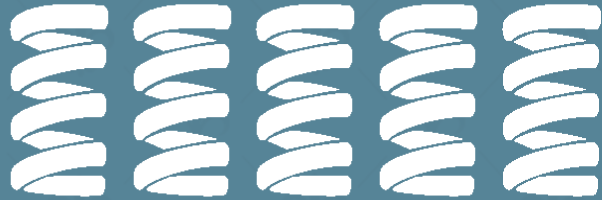
2019



Leading Design

Legendary  
Craftsmanship

Finest Materials



**ALL-NEW & EXCLUSIVE  
Coil Technologies**

**PROPRIETARY and EXCLUSIVE  
Memory Foam engineered by:**

**TEMPUR-PEDIC®**

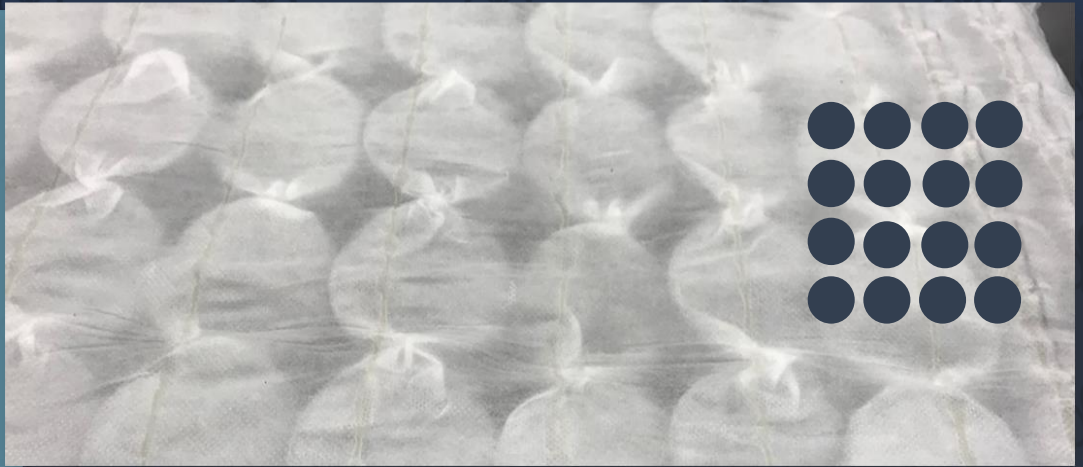


**ALL-NEW Natural Cooling System**

NEW!

## IntelliCoil:

Personalized support  
for your unique size  
and shape

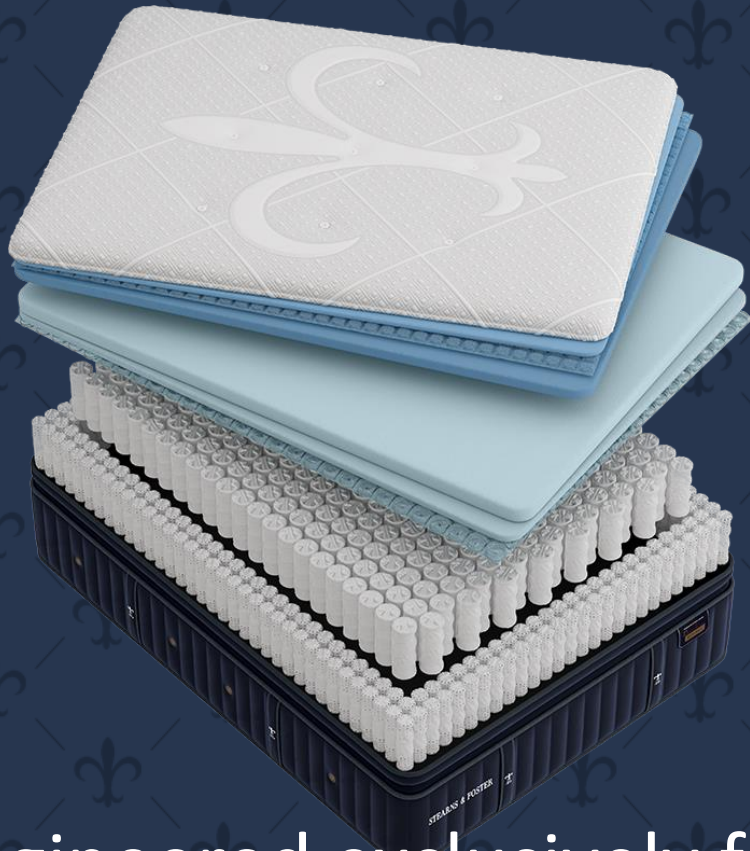


NEW!

## IntelliCoil HD: 20% MORE IntelliCoils







## Indulge Memory Foam

Premium pressure-relief for all night support

## Indulge HD Memory Foam

The ultimate in plush comfort without sacrificing durability

Engineered exclusively for **STEARNS & FOSTER**  
by **TEMPUR-PEDIC®**



## **Tencel**

Keeps you dry and comfortable

## **Airflow**

Regulates heat to help with better sleep

## **AirVent System**

Helps keep you cool, naturally

# TEMPUR+SEALY



ESTATE

*Starting at \$1,499*



LUX ESTATE

*Starting at \$2,299*



LUX ESTATE HYBRID

*Starting at \$2,799*



RESERVE

*Starting at \$3,999*

# TOP *it all off*

*The only pillows worthy of your Stearns & Foster mattress*



## STEARNS & FOSTER MEMORY FOAM PILLOW

- ❖ Plush Memory Foam core
- ❖ Premium stretch-knit cover featuring Tencel
- ❖ Removeable and washable cover
- ❖ Queen - \$99



## STEARNS & FOSTER LATEX PILLOW

- ❖ Naturally-Breatheable Talalay Latex core
- ❖ Premium stretch-knit cover featuring Tencel
- ❖ Removeable and washable cover
- ❖ Queen - \$149

# Complete Portfolio of Products

## TEMPUR MATERIAL



TEMPUR BREEZE®

TEMPUR ADAPT™

## HYBRID



SEALY HYBRID®



STEARNS & FOSTER®

## INNERSPRING



STEARNS & FOSTER®



SEALY RESPONSE®

## MEMORY FOAM



SEALY CONFORM®



COCOON BY  
SEALY  
(BED IN A BOX)

## OTHER SPECIALTY



ADJUSTABLE BASES



PILLOWS





**retaile**edge

POWERED BY TEMPUR SEALY



Retail Edge provides **SHOPPER-FOCUSED** solutions that deliver a **CONNECTED** and **PERSONALIZED** experience across all phases of the purchase journey.



**CURRENT TOPICS**

**TEMPUR+SEALY**

## Retail Environment

The retail environment is changing and **consumers are changing**. To win today's consumer, **retail must change**, too.

### iMS Update

- TPX agreed to provide up to \$14M in DIP financing to facilitate iMS's bankruptcy process
- TPX will record a pro forma adjustment of approximately \$21M in 4Q18
- Actively reviewing strategic alternatives related to iMS during its bankruptcy process

### Sears Update

- We expect Sears will operate on a smaller store base
- TPX fully reserved Sears AR balance in 3Q18



# Update on Mattress Firm



## Recent Litigation Updates:

- Both parties have had discussions and have agreed to 30-day stays on the active litigation between them to discuss potential settlement. Those 30-day stays expire in mid-February.
- There can be no assurance any settlement of the litigation will result from these discussions.

**Consistent with prior communications, Tempur Sealy has 4 criteria for evaluating any potential partners:**

- Financially strong counter-party
- Strategically aligned
- Trust and confidence in business plan
- Durability of the relationship



# 2019 Comments

Expected increases to advertising in rate and dollars as compared to 2018.

Anticipated pricing tailwinds of \$30M

Variable compensation was taken to zero in 2018, therefore we expect a headwind in 2019

## 2019

The Company expects to provide full year financial guidance during the fourth quarter earnings call in February 2019. In advance of this, the Company has provided the following comments on 2019.

The Company expects to:

- Improve product mix resulting from the launch of Tempur-Pedic Breeze and Stearns and Foster in NA
- Invest significant marketing dollars to promote our brands
- Grow the Tempur business and experience continued headwinds from Sealy despite launch of Stearns and Foster
- Realize benefits from 2018 pricing actions
- See flat commodity pressures
- Drive increases to EBITDA

Thank you for  
your interest in  
Tempur Sealy  
International



STEARNS & FOSTER®



# Forward-Looking Statements

This investor presentation contains statements that may be characterized as “forward-looking” within the meaning of the federal securities laws. Such statements may include information concerning one or more of the Company’s plans, objectives, goals, strategies or other information that is not historical information. When used in this presentation, the words “estimates,” “expects,” “guidance,” “anticipates,” “projects,” “plans,” “proposed,” “intends,” “believes,” and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to the Company’s expectations regarding EBITDA and performance generally for 2019 and subsequent periods, expectations regarding the Company’s plans in 2019 with respect to product launches, product mix and marketing strategies, the continued expansion of its omnichannel strategy including store openings, the continued rollout of the Retail Edge program, the Company’s ongoing strategy to recapture market share in the U.S., expectations regarding the Company’s ability to realize benefits from price increases, the Company’s review of strategic alternatives related to iMS, and the impact of the iMS bankruptcy on the Company’s results of operation, liquidity or financial position. All forward-looking statements are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company’s control, could cause actual results to differ materially from those expressed herein as forward-looking statements. These risk factors include risks associated with the Company’s capital structure and debt level; iMS’ use of the funds received in the DIP financing; iMS’ ability to control costs during its bankruptcy process; the outcome of the Company’s review of strategic alternatives related to iMS; general economic, financial and industry conditions, particularly in the retail sector; financial distress among the Company’s business partners and competitors; consumer confidence and the availability of consumer financing; financial insolvency and related problems experienced by market participants; changes in product and channel mix and any associated impact on the Company’s gross margin; changes in interest rates; the impact of the macroeconomic environment in both the U.S. and internationally on the Company’s business segments; uncertainties arising from global events; the effects of changes in foreign exchange rates on the Company’s reported earnings; consumer acceptance of the Company’s products; industry competition; the efficiency and effectiveness of the Company’s advertising campaigns and other marketing programs; the Company’s ability to increase sales productivity within existing retail accounts and to further penetrate the Company’s retail channel, including the timing of opening or expanding within large retail accounts and the timing and success of product launches; the effects of consolidation of retailers on revenues and costs; changes in demand for the Company’s products by significant retailer customers; the Company’s ability to expand brand awareness; the Company’s ability to expand distribution either through third parties or through direct sales; the Company’s ability to continuously improve and expand its product line and successfully roll out new products, maintain efficient, timely and cost-effective production and delivery of its products and manage its growth; the effects of strategic investments on the Company’s operations; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carry forwards; the outcome of various pending tax audits or other tax, regulatory or investigation proceedings and outstanding litigation; changing commodity costs; the effect of future legislative or regulatory changes; and disruptions to the implementation of the Company’s strategic priorities and business plan caused by abrupt changes in the Company’s senior management team and Board of Directors.

There are a number of risks, uncertainties and other important factors, many of which are beyond the Company’s control, that could cause its actual results to differ materially from those expressed as forward-looking statements in this investor presentation, including the risk factors discussed under the heading “Risk Factors” under ITEM 1A of Part 1 of the Company’s Annual Reports on Form 10-K for the year ended December 31, 2017 and the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2018. There may be other factors that may cause the Company’s actual results to differ materially from the forward-looking statements contained in this investor presentation. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

## **Note Regarding Historical Financial Information:**

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

## **Note Regarding Trademarks, Trade Names and Service Marks:**

*TEMPUR®*, *Tempur-Pedic®*, *the TEMPUR-PEDIC & Reclining Figure Design®*, *TEMPUR-Cloud®*, *TEMPUR-Choice®*, *TEMPUR-Weightless®*, *TEMPUR-Contour™*, *TEMPUR-Rhapsody™*, *TEMPUR-Flex®*, *THE GRANDBED BY TEMPUR-PEDIC®*, *TEMPUR-Simplicity®*, *TEMPUR-Ergo®*, *TEMPUR-UP™*, *TEMPUR-Neck™*, *TEMPUR-Symphony™*, *TEMPUR-Comfort™*, *TEMPUR-Traditional™*, *TEMPUR-Home™*, *SEALY®*, *SEALY POSTUREPEDIC®*, *STEARNS & FOSTER®*, *COCOON by Sealy™* and *OPTIMUM®* are trademarks, trade names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks in this presentation are the property of the respective owners.