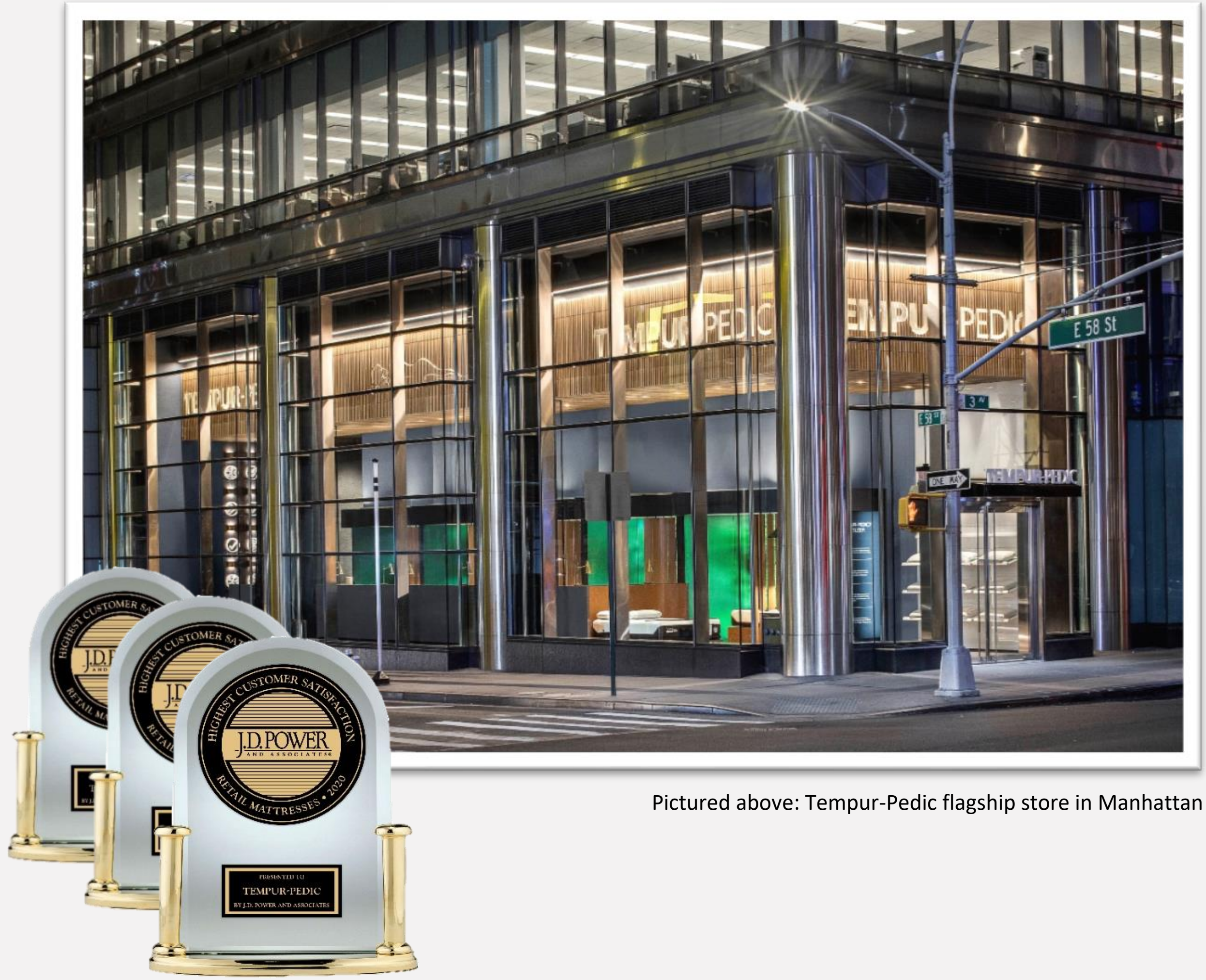
Tempur Sealy International, Inc. (TPX)

"Our growth reflects strong industry demand, our worldwide leadership position, and the success of our omni-channel distribution strategy"



Pictured above: Tempur-Pedic flagship store in Manhattan

	Net Sales Three Months Ended September 30, 2020	Net Sales Twelve Months Ended December 31, 2019
Consolidated *% Sales*	$ 1,132M 100%	$3,106M 100%
North America *% Sales*	$ 976M 86%	$2,533M 82%
International *% Sales*	$ 156M 14%	$573M 18%

PURPOSE

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

BACKGROUND

Tempur Sealy is the world's largest bedding manufacturer. We are a market-leading, vertically integrated global company that develops, manufactures, markets and retails bedding products both on and offline.

Long-term initiatives:

- Develop the highest quality bedding products in all the markets we serve
- Promote our worldwide brands with compelling marketing
- Optimize our powerful omni-distribution platform to be where consumers want to shop
- Drive increases in EBITDA[1]
- Committed to ESG

Competitive advantages:

- Consumer-centric approach across brands, products and channels
- Expanding wholesale and direct to consumer channels around the globe
- Flexible operating model with world-class manufacturing capabilities
- Industry-leading balance sheet and free cash flow[1]

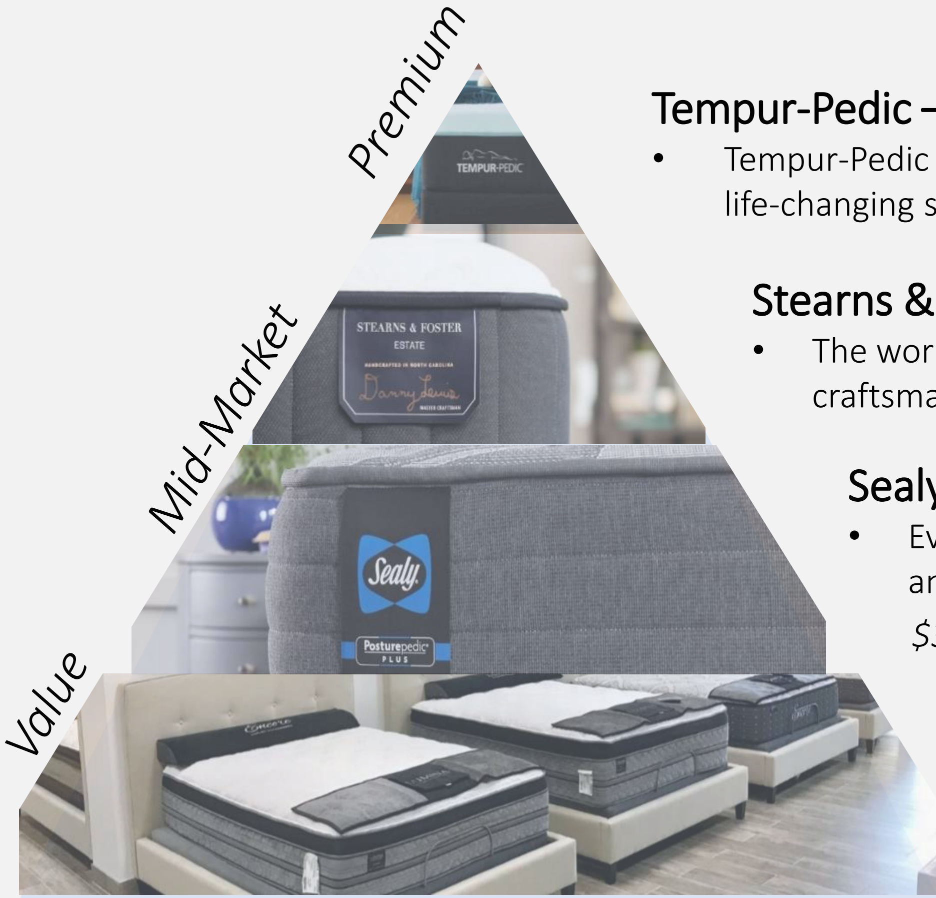
TEMPUR SEALY

Tempur Sealy at a Glance

- Annual unit sales of over 7.6 million
- $300+ million global marketing budget
- 65 manufacturing facilities*
- 16 million sq. feet of manufacturing and distribution operations*
- Servicing 100 countries*
- 5,400+ retail partners selling though 25,000+ doors
- 400+ company-owned stores**
- 8,000+ employees
- Industry-leading research and development lab

*Includes wholly-owned, joint venture and licensee operations
**Includes wholly-owned and joint venture operations

Portfolio of Global Brands



Tempur-Pedic – Dominates worldwide premium bedding market

- Tempur-Pedic uniquely adapts, supports and aligns to you to deliver truly life-changing sleep *$1,999-$7,499*

Stearns & Foster - Niche, high-end targeted brand

- The world's finest beds made with exceptional materials, time-honored craftsmanship and unparalleled design *$1,499-$4,999*

Sealy – No. 1 bedding brand in the U.S.[(2)]

- Every Sealy mattress combines innovation, precise engineering and industry-leading testing to ensure quality and durability

  $399-$2,499

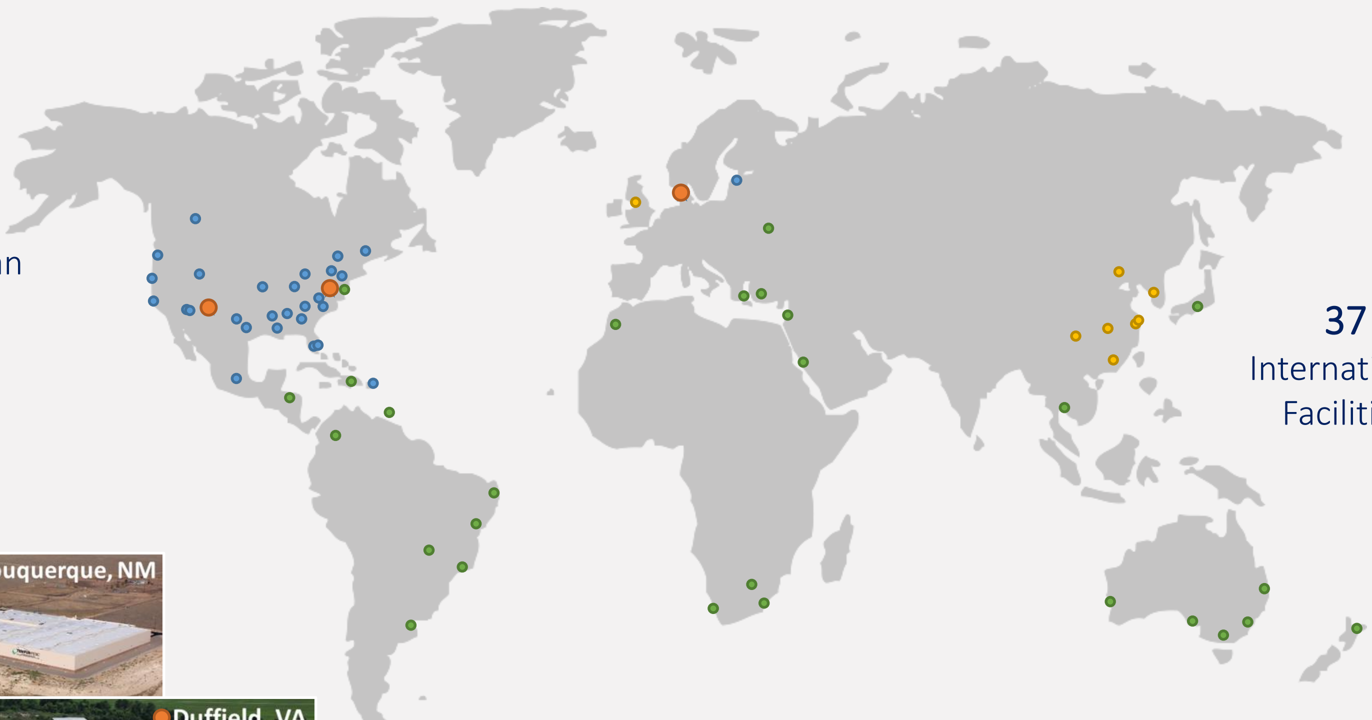
Private Label Offerings – Customized product

- Products for the value-orientated consumer

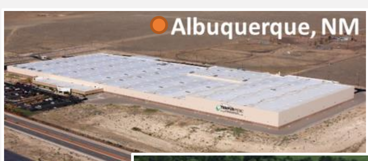
  Under $1,299

Dominant Manufacturing Footprint

28
North American Facilities



37
International Facilities



- *Wholly owned*
- *Tempur-Pedic Facility*
- *Joint Venture*
- *Licensee*

Successful International Joint Ventures

Developing markets for Sealy® branded products

ASIA

- Founded in 2000
- Compound annual growth rate of 36%
- Operates in 21 countries and territories
- Top 3 international branded bedding manufacturer in China
- Full time employees : 1,100+

UNITED KINGDOM

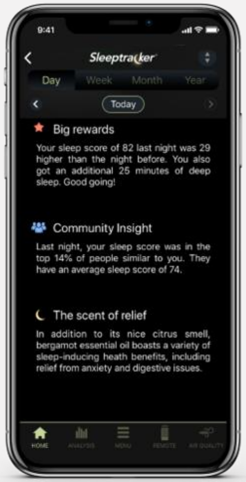
- Acquired in 2020
- Full time employees : 250+

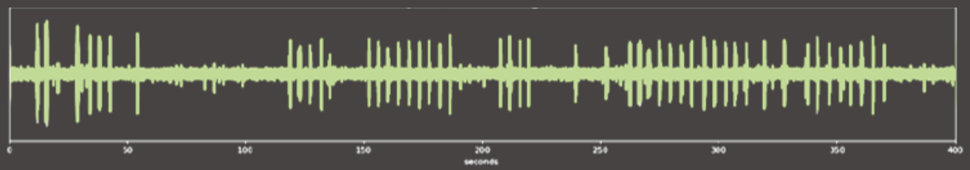
Innovative Product

TEMPUR-ERGO® SMART BASES

Powered by Sleeptracker-AI

With AUTOMATIC response to snoring





100% PASSIVE SENSORS

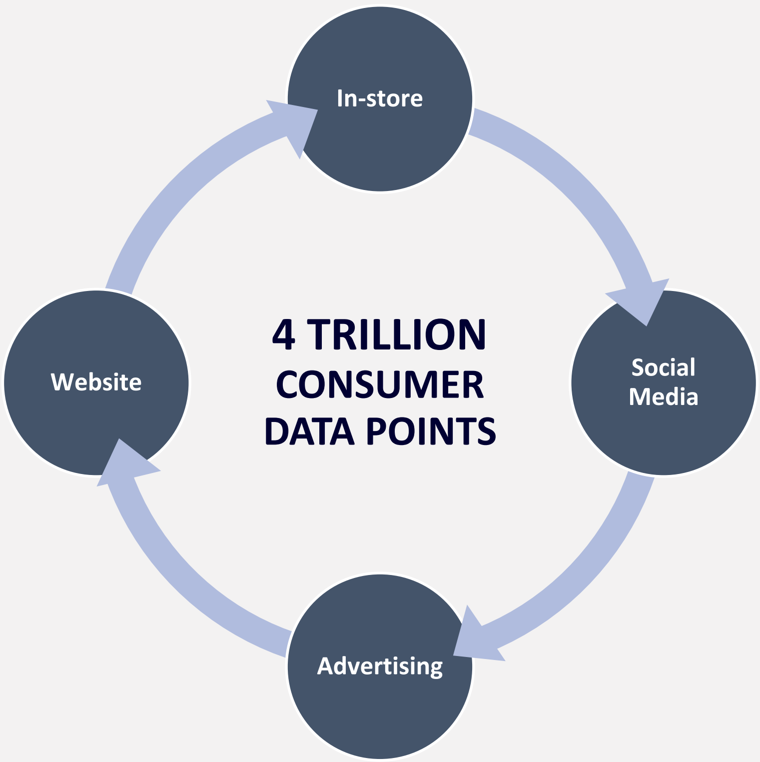
- Heart Rate
- Breathing Rate
- Snore Detection

POWERFUL OMNI-CHANNEL

TEMPUR + SEALY

Omni-Channel Consumer

We have an industry-leading understanding of our consumers, generating about 4 trillion consumer data points to date.

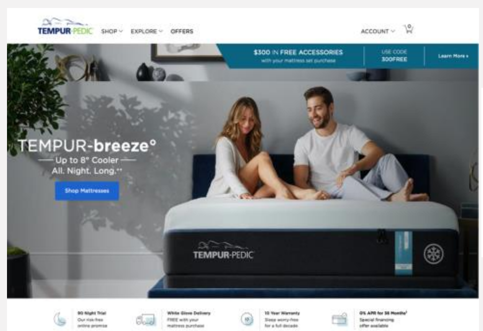


Powerful Omni-Distribution Platform

Wholesale

- Largest part of worldwide distribution
- Recent significant distribution gains

E-Commerce



- Significant worldwide sales growth
- Highly profitable and expanding rapidly

Company Owned Stores

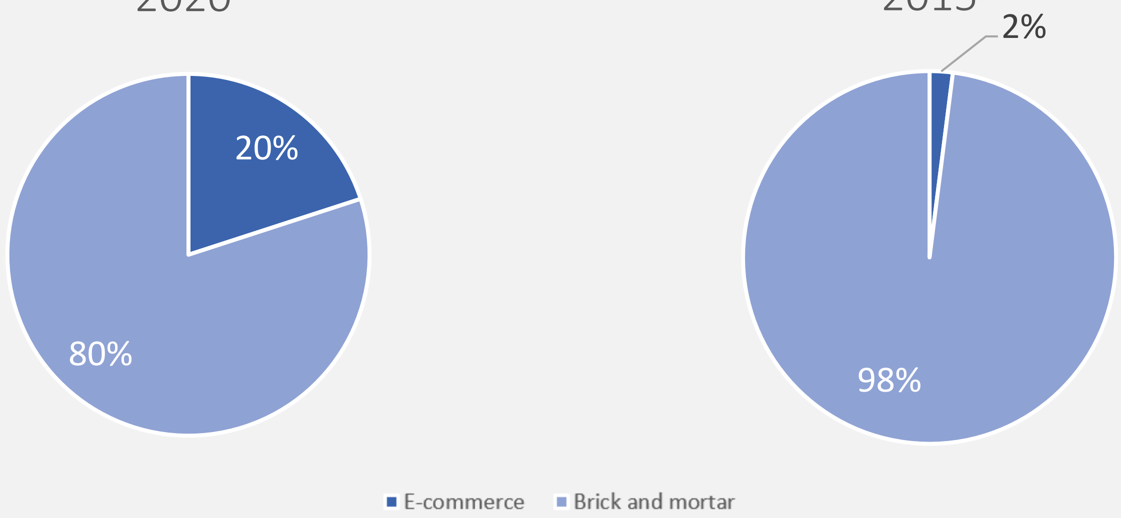
- Luxury Tempur-Pedic and multi-branded showroom experiences
- Significant worldwide sales growth opportunity
- Highly profitable and expanding margins opportunity

Success in E-Commerce

*E-commerce as a percent of total omni-channel global sales**

Current
2020

Historical
2015



*Based on Tempur Sealy Q3 YTD third quarter e-commerce sales and estimated third-party e-commerce sales. Total e-commerce sales are comprised of online and call center sales.

Winning Online: Wholesale and Direct

	CHANNEL
TempurPedic.com Most profitable online bedding company in the world *High growth and high margins*	DIRECT TO CONSUMER
Compressed Bedding Products TEMPUR-Cloud® COCOON by Sealy™ Sealy-to-go **Traditional Bedding Products** Tempur-Pedic® Stearns & Foster® Sealy®	OMNI-CHANNEL
Alternative Channels (Web-based Retailers) Dedicated sales team with focus on eMarketplace sales growth *High growth and stable margins*	WHOLESALE
Traditional Retailers Online TPX proprietary RetailEdge training providing shopper-focused solutions *High growth and stable margins*	WHOLESALE

Tempur Sealy Compressed Offerings

Our compressed bedding products are a convenient option for consumers shopping online through our direct business or our third-party retail partners.

Sealy-to-go

Value

COCOON by Sealy™

Mid-Level

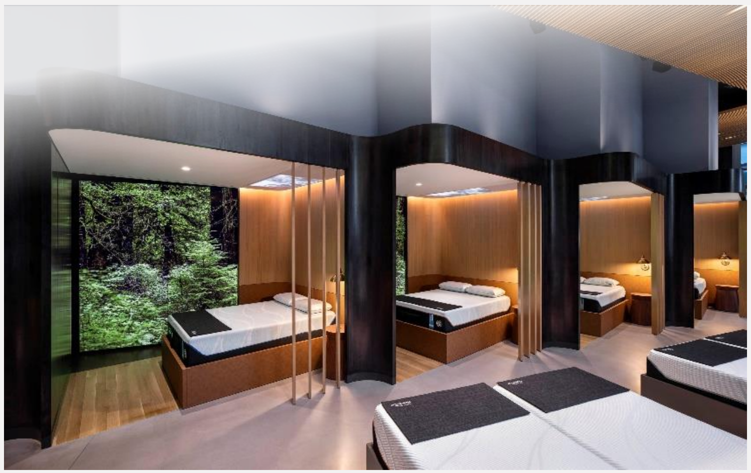
TEMPUR-Cloud®

Premium

Compressed bedding sales grew **over 200%** in Q3 2020

U.S. Company-Owned Store Strategy

Tempur-Pedic® Retail Stores:



High-End Targeted Opportunity

- Approximately 70 high-end retail destinations, with complementary co-tenants, in high demographic areas
- Strategic market placement (125-150 store vision)
- Brand Ambassadors - Tempur-Pedic® only products
- Consumer niche – prefer direct from manufacturer
- Premium ASP offering: $1,999 - $7,499

Sleep Outfitters®:

Broad-Based Opportunity
Strategic Representation

- Regional bedding retailer that is strategically important to the markets it serves for Tempur Sealy
- Approximately 100 multi-branded retail locations
- Tempur, Sealy and Stearns & Foster merchandising
- Wide range of ASP products: $399 - $7,499

Q3 RESULTS AND 2020 OUTLOOK

TEMPUR + SEALY

Third Quarter 2020 Highlights

Three Months Ended September 30th

($ in millions, except for % values) (unaudited)	2020	2019	Reported % Change	% Change Constant Currency[1]
Net Sales	$1,132.3	$821.0	37.9%	37.7%
Net Income	121.4	73.3	65.6%	65.5%
EBITDA[1]	279.9	150.7	85.7%	85.5%
Net cash provided by operating activities	327.5	155.8	110.2%	n/a
Adjusted EBITDA[1]	**$279.3**	**$149.9**	**86.3%**	**86.1%**

"As expected, our net sales growth rate was reduced by about 10% from customer orders that were either cancelled or reduced due to allocations in the quarter due to supplier issues impacting Sealy and Sherwood in the U.S. Despite the supply issues, this quarter marks our seventh consecutive quarter of trailing twelve month adjusted EBITDA growth. The significant investments we have made in our people, products, customer service and manufacturing operations over the last few years are clearly paying off."

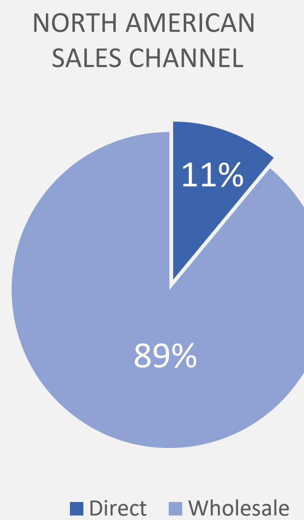
– Scott Thompson, Company Chairman and CEO

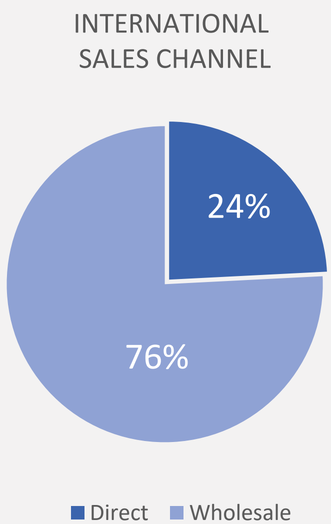
Product Sales

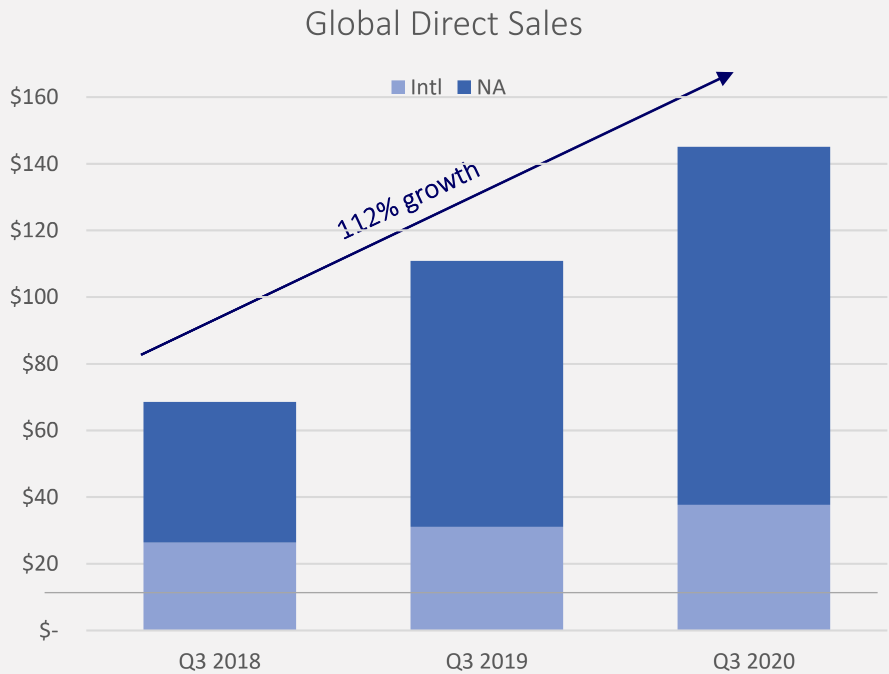
Three Months Ended September 30, 2020 (unaudited)	Bedding Products	Other Products	Net Sales
Consolidated	$ 1,036.6M	$ 95.7M	$ 1,132.3M
YoY Growth	37.8%	*39.1%*	*37.9%*
North America	$ 913.0M	$ 63.5M	$ 976.5M
YoY Growth	42.5%	*53.4%*	*43.2%*
International	$ 123.6M	$ 32.2M	$ 155.8M
YoY Growth	10.8%	*17.5%*	*12.1%*

Direct to Consumer

- Distribution network made up of high growth, high margin, Web, Call Center, and Company-owned stores
- Strong growth within the direct channel, growing 31% in the third quarter of 2020
- Long-term direct target: 25% of Tempur-Pedic net sales







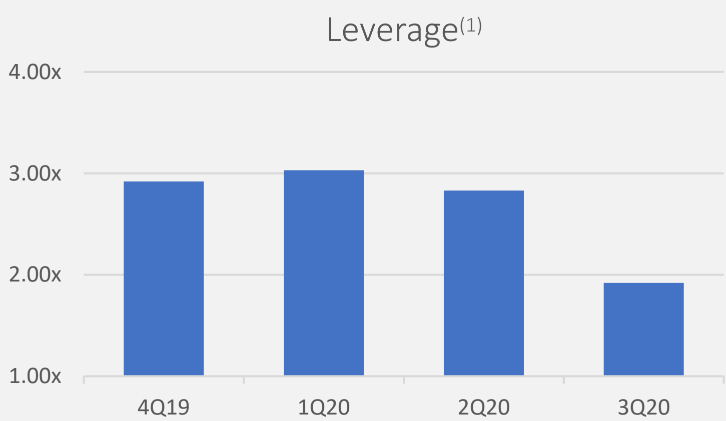
Q3 global direct channel sales grew 112% over 2 years

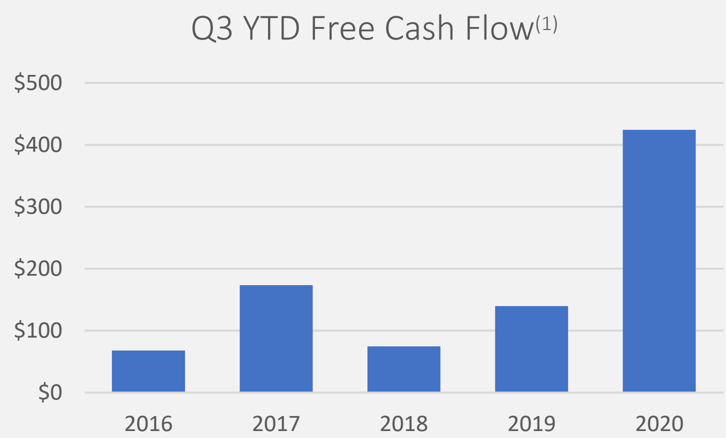
Balanced Capital Allocation Strategy

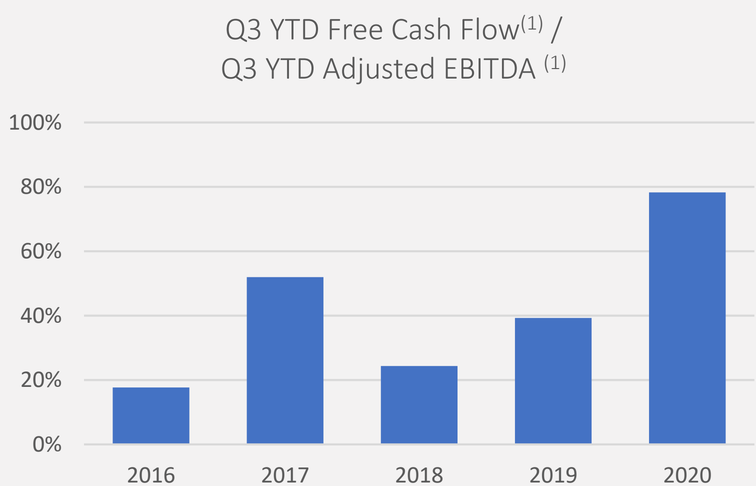
- Increased share repurchase authorization and expect to repurchase at least 3% of shares outstanding annually using operating cash flow
- Intend to initiate a quarterly cash dividend in Q1 2021 with a target annual payout of 15% of net income
- Maintain capacity for strategic acquisitions
- Announced a 4-for-1 stock split effective Q4 2020

TEMPUR + SEALY

Strong Balance Sheet & Cash Flow







Fourth Quarter and Full Year Outlook

- Experienced strong demand for bedding in third quarter which has continued into the fourth quarter to-date
  - U.S. Sealy and Sherwood supply chain is constrained and does not fully meet demand
  - Expect to be constrained through the next few quarters
- Internal target of low double-digit global net sales growth and high-teens adjusted EBITDA(1) growth year-over-year in the fourth quarter

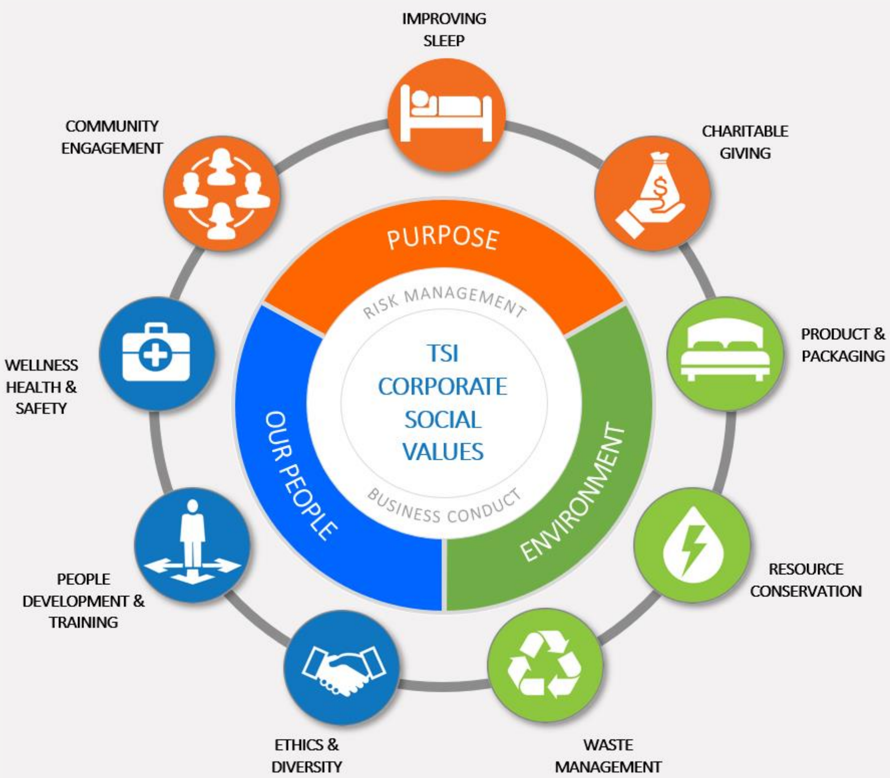
2020 Financial Targets(3) and Assumptions	
Depreciation & Amortization	$155M (excludes $50M of amortization related to the aspirational plan)
Capital Expenditures	$110 to $115M (includes $70M Maintenance)
Interest Expense	$75 to $80M
U.S. Federal Tax Rate Range	25% to 26%
Diluted Share Count	54M shares (216M shares once adjusted for the impact of the four-for-one stock split)

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

TEMPUR + SEALY

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

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



Environmental

- Committed to sourcing 100% renewable energy for our U.S. and European manufacturing operations in 2020 and future years
- Installing solar panel technology at our largest manufacturing facility in Albuquerque, New Mexico
  - Capable of powering all the plant's assembly lines
- Committed to achieving zero-landfill waste for our U.S. and European manufacturing operations by the end of 2022

Social

- Expanded global workforce by 20% or over 1,500 people over the last twelve months
- Committed to upholding employee diversity - our employment of minorities is higher than the national average

Governance

- Global Code of Business Conduct and Ethics
- Internal Enterprise Risk Management
- International ethics line
- Zero tolerance policy towards improper payments and bribes

Corporate Social Value Highlights

Tempur Sealy has donated…

- an estimated $100 million in mattresses over the last 10 years,
- cash and stock valued at $9.5 million dollars over the last 4 years, and
- 17,500+ products to aid in the COVID-19 crisis.

Raymond James ranked Tempur Sealy in the top quartile for ESG out of all companies they consider a ‘Strong Buy’

Ranked a **‘Strong Buy With the Best ESG Score’** by Raymond James

Source: ‘Raymond James Strategy for ESG Investing’ published February 10, 2020

Thank you for your interest in Tempur Sealy International

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

Appendix

Forward-Looking Statements

This investor presentation contains statements that may be characterized as "forward-looking" within the meaning of the federal securities laws, which includes information concerning one or more of the Company's plans, guidance, objectives, goals, strategies, and other information that is not historical information. When used in this presentation the words "assumes," "vision," "may," "strategy," "estimates," "expects," "guidance," "anticipates," "seeks," "projects," "plans," "proposed," "targets," "intends," "goals," "believes," "will," and variations of such words or similar expressions are intended to identify such statements. These forward-looking statements include, without limitation, statements relating to the Company's expectations regarding EBITDA, adjusted EBITDA per credit facility, net sales, leverage, operating cash flow, depreciation and amortization, capital expenditures, interest expense, U.S. federal tax rate, diluted share count and performance generally for 2020 and subsequent periods, statements relating to the Company's quarterly cash dividend, the Company's share repurchase targets, expected timing of the stock split, the Company's Aspirational Program and ongoing productivity initiatives. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations, meet its guidance or that these beliefs will prove made.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from those that may be expressed as forward-looking statements in this presentation. These risk factors include the impact of the macroeconomic environment in both the U.S. and internationally on the Company's business segments and expectations regarding growth of the mattress industry; uncertainties arising from global events; risks associated with the duration, scope and severity of COVID-19 and its effects on the Company's business and operations, including the disruption or delay of production and delivery of materials and products in the Company's 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 the Company's operations, including efforts to expand its global market share; the ability to develop and successfully launch new products; the efficiency and effectiveness of the Company's 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 the Company's product line; the effects of consolidation of retailers on revenues and costs; competition in the Company's industry; consumer acceptance of the Company's products; general economic, financial and industry conditions, particularly conditions relating to the financial performance and related credit issues present in the retail sector; financial distress among the Company's 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; the Company's 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 the Company's ability to access financing on acceptable terms or at all; the Company's capital structure and debt level, including its ability to meet financial obligations and continue to comply with the terms and financial ratio covenants of its credit facilities; changes in interest rates; effects of changes in foreign exchange rates on the Company's reported earnings; changing commodity costs; disruptions in the supply of raw materials, or loss of suppliers; expectations regarding the Company's target leverage and 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; the Company's ability to protect its intellectual property; and disruptions to the implementation of the Company's strategic priorities and business plan caused by abrupt changes in its executive management team.

Other potential risk factors include the risk factors discussed under the heading "Risk Factors" under Part I, ITEM 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and in Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. There may be other factors that cause the Company's actual results to differ materially from any of those expressed as forward-looking statements herein.

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

Note Regarding Trademarks, Trade Names and Service Marks:
TEMPUR®, Tempur-Pedic®, the TEMPUR-PEDIC & Reclining Figure Design®, TEMPUR-Adapt®, TEMPUR-ProAdapt®, TEMPUR-LuxeAdapt®, TEMPUR-PRObreeze™, TEMPUR-LUXEbreeze™, TEMPUR-Cloud®, TEMPUR-Contour™, TEMPUR-Rhapsody™, TEMPUR-Flex®, THE GRANDBED BY TEMPUR-PEDIC®, TEMPUR-Ergo®, TEMPUR-UP™, TEMPUR-Neck™, TEMPUR-Symphony™, TEMPUR-Comfort™, TEMPUR-Traditional™, TEMPUR-Home™, SEALY®, SEALY POSTUREPEDIC®, STEARNS & FOSTER®, COCOON by Sealy™ and Clean Shop Promise™ are trademarks, trade names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks in this presentation are the property of the respective owners.

Limitations on Guidance: **The guidance included herein is from the Company's press release and related earnings call on October 29, 2020. The Company is neither reconfirming this guidance as of the date of this investor presentation nor assuming any obligation to update or revise such guidance. See above.**

Use of Non-GAAP Financial Measures and Constant Currency Information

In this investor presentation and certain of its press releases and SEC filings, the Company provides information regarding adjusted net income, EBITDA, adjusted EBITDA per credit facility, free cash flow, consolidated indebtedness less netted cash, and leverage which are not recognized terms under U.S. Generally Accepted Accounting Principles ("GAAP") and do not purport to be alternatives to net income and earnings per share as a measure of operating performance, an alternative to cash provided by operating activities as a measure of liquidity, or an alternative to total debt. The Company believes these non-GAAP measures provide investors with performance measures that better reflect the Company's underlying operations and trends, including trends in changes in margin and operating expenses, providing a perspective not immediately apparent from net income and operating income. The adjustments management makes to derive the non-GAAP measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP measure, but which management does not consider to be the fundamental attributes or primary drivers of the Company's business.

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

Constant Currency Information

In this presentation the Company refers to, and in other communications with investors the Company may refer to, net sales or earnings or other historical financial information on a "constant currency basis," which is a non-GAAP financial measure. These references to constant currency basis do not include operational impacts that could result from fluctuations in foreign currency rates. To provide information on a constant currency basis, the applicable financial results are adjusted based on a simple mathematical model that translates current period results in local currency using the comparable prior corresponding period's currency conversion rate. This approach is used for countries where the functional currency is the local country currency. This information is provided so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby facilitating period-to-period comparisons of business performance.

EBITDA and Adjusted EBITDA per Credit Facility

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

Adjusted Net Income

A reconciliation of the Company's GAAP net income to adjusted net income and a calculation of adjusted EPS are provided on subsequent slides. Management believes that the use of adjusted net income and adjusted EPS also provides investors with useful information with respect to the Company's operating performance and comparisons from period to period.

Leverage

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

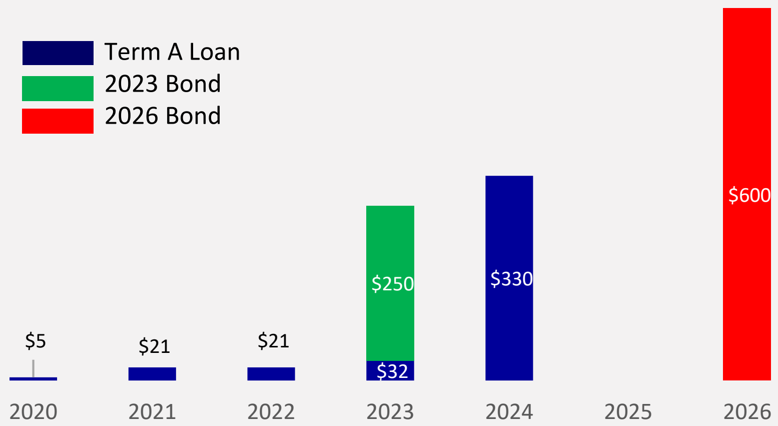
Free Cash Flow

The Company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. Management believes that free cash flow may be useful for investors in assessing the Company's operating performance, ability to generate cash and ability to fund the Company's capital expenditures and meet the Company's debt service requirements.

Debt Structure

- Leverage[1] lowest in Company's history at 1.9x, slightly below the target range of 2.0-3.0x[4]
- Capital structure contains long-dated maturities
- Fixed rate debt represents around 2/3 of total debt

Mandatory Maturity Profile[4]



<u>Rating Agency Ratings</u>

- Fitch initiated BB as of September 2020
- S&P: BB- reaffirmed as of March 2020
- Moody's: Ba3 reaffirmed as of April 2020

Aspirational Program[5]

- We have grown trailing 12-month adjusted EBITDA[1] for 7 quarters in a row and achieved trailing 12-month adjusted EBITDA[1] of $694 million this quarter, a 47% increase over prior years.
- Our trailing twelve month performance triggered our long-term aspirational program, which applies to approximately 150 of the company's leaders.

Q3 Impact of Plan Vesting	
Stock units vest	825,000 shares
Depreciation and amortization	$50 million of additional 2020 D&A expense (Approx. $45 million incurred in Q3, approx. $5 million will be incurred in Q4)
Diluted share count	1.5% stock dilution

Adjusted EBITDA Reconciliation

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net income	$ 121.4	$ 73.3
Interest expense, net	20.1	20.8
Loss on extinguishment of debt (1)	0.9	-
Income taxes	40.3	26.1
Depreciation and amortization	52.0	30.5
Aspirational plan amortization (2)	45.2	-
EBITDA	279.9	150.7
Adjustments		
Income from discontinued operations, net of tax (3)	(2.4)	(0.8)
Accounting standard adoption (4)	0.8	-
Facility expansion costs (5)	0.6	-
Restructuring costs (6)	0.4	-
Adjusted EBITDA per credit facility	$ 279.3	$ 149.9

Notes

(1) In the third quarter of 2020, loss on extinguishment of debt represents costs associated with the early repayment of the 364-day term loan.

(2) In the third quarter of 2020, the Company recognized $45.2 million of performance-based stock compensation amortization related to the Company's long-term aspirational awards. The amount recognized represents the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020. The awards are subject to a remaining service vesting condition which will lapse in December 2020.

(3) Certain subsidiaries in the International business segment are accounted for as discontinued operations and have been designated as unrestricted subsidiaries in the the Company's senior credit facility entered into in 2019 (the "2019 Credit Agreement"). Therefore, these subsidiaries are excluded from the Company's adjusted financial measures for covenant compliance purposes.

(4) The Company recorded $0.8 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)", in the third quarter of 2020. As permitted by the 2019 Credit Agreement, the Company elected to eliminate the effect of this accounting change within its covenant compliance calculation.

(5) In the third quarter of 2020, the Company recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

(6) The Company incurred $0.4 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment, in the third quarter of 2020.

For additional information regarding the calculations above please refer to the Company's SEC Filings.

TTM Adjusted EBITDA Reconciliation

(in millions)	Trailing Twelve Months Ended September 30, 2020	
Net income	$	250.3
Interest expense, net		81.0
Loss on extinguishment of debt (1)		0.9
Income taxes		89.1
Depreciation and amortization		145.5
Aspirational plan amortization (2)		45.2
EBITDA		612.0
Adjustments		
Income from discontinued operations, net of tax (3)		(0.7)
Customer-related charges (4)		41.5
Charitable stock donation and other (5)		9.6
COVID-19 charges (6)		7.9
Incremental operating costs (7)		7.2
Asset impairments (8)		7.0
Restructuring costs (9)		3.8
Accounting standard adoption (10)		3.6
Earnings from Sherwood prior to acquisition (11)		1.7
Facility expansion costs (12)		0.6
Adjusted EBITDA per credit facility	$	694.2

Notes

(1) In the third quarter of 2020, loss on extinguishment of debt represents costs associated with the early repayment of the 364-day term loan.

(2) In the third quarter of 2020, the Company recognized $45.2 million of performance-based stock compensation amortization related to the Company's long-term aspirational awards. The amount recognized represents the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020. The awards are subject to a remaining service vesting condition which will lapse in December 2020.

(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 the Company's adjusted financial measures for covenant compliance purposes.

(4) In the first quarter of 2020, the Company 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. In the fourth quarter of 2019, the Company recorded $29.8 million of customer-related charges in connection with the bankruptcy of Mattress PAL Holding, LLC ("Mattress PAL") and resulting significant liquidity issues of Mattress PAL's affiliates to fully reserve trade receivables and other assets associated with this account.

(5) In 2019, the Company recorded a $9.6 million charge for charitable stock donation and other costs. These costs included an $8.9 million charge related to the donation of common stock at fair market value to certain public charities and $0.7 million of professional fees in connection with the amendment of the 2019 Credit Agreement.

(6) Adjusted EBITDA per credit facility excluded $7.9 million of second quarter COVID-19 charges associated with temporarily closed company-owned retail stores and sales force retention costs.

(7) In the second quarter of 2020, the Company recorded $4.9 million of incremental operating costs associated with the global pandemic. In the first quarter of 2020, the Company recorded $2.3 million of charges related to the global pandemic.

(8) In the second quarter of 2020, the Company recorded $7.0 million of asset impairment charges related to the write-off of certain sales and marketing assets driven by the macro-economic environment.

(9) The Company incurred $0.4 million and $3.4 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment, in the third and second quarter of 2020, respectively.

10) The Company recorded $3.6 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)", in the first three quarters of 2020. As permitted by the 2019 Credit Agreement, the Company elected to eliminate the effect of this accounting change within its covenant compliance calculation.

(11) The Company completed the acquisition of Sherwood Bedding on January 31, 2020 and designated this subsidiary as restricted under the 2019 Credit Agreement. For covenant compliance purposes, the Company included $1.7 million of EBITDA from this subsidiary for the four months prior to acquisition in the Company's calculation of adjusted EBITDA per credit facility for the trailing twelve months ended September 30, 2020.

12) In the third quarter of 2020, the Company recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

For additional information regarding the calculations above please refer to the Company's SEC Filings.

Adjusted Net Income and Adjusted EPS

(in millions, except per share amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net income	$ 121.4	$ 73.3
Income from discontinued operations, net of tax (1)	(2.4)	(0.8)
Aspirational plan amortization (2)	45.2	-
Loss on extinguishment of debt (3)	0.9	-
Accounting standard adoption (4)	0.8	-
Facility expansion costs (5)	0.6	-
Restructuring costs (6)	0.4	-
Tax adjustments (7)	(11.5)	-
Adjusted net income	$ 155.4	$ 72.5
Adjusted earnings per common share, diluted	$ 2.94	$ 1.30
Diluted shares outstanding	52.9	55.8

Notes

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

(2) In the third quarter of 2020, the Company recognized $45.2 million of performance-based stock compensation amortization related to the Company's long-term aspirational awards. The amount recognized represents the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020. The awards are subject to a remaining service vesting condition which will lapse in December 2020.

(3) In the third quarter of 2020, loss on extinguishment of debt represents costs associated with the early repayment of the 364-day term loan.

(4) In the third quarter of 2020, the Company recorded $0.8 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, the Company elected to eliminate the effect of this accounting change within its covenant compliance calculation.

(5) In the third quarter of 2020, the Company recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

(6) The Company incurred $0.4 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment in the third quarter of 2020.

(7) Tax adjustments represent adjustments associated with the aforementioned items and other discrete income tax events.

For additional information regarding the calculations above please refer to the Company's SEC Filings.

Leverage Reconciliation

(in millions, except ratio)		3Q'20
Total debt, net	$	1,530.0
Plus: Deferred financing costs[(1)]	$	5.3
Consolidated indebtedness		1,535.3
Less: Netted cash [(2)]		200.0
Consolidated indebtedness less netted cash	$	1,335.3
Adjusted EBITDA per credit facility[(3)]	$	694.2
Leverage		**1.92x**

Notes

(1) The Company presents 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 indebtedness for financial covenant purposes, the Company has 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.

(3) Represents adjusted EBITDA per credit facility for the trailing twelve-month period ended with the referenced quarter. A reconciliation of net income to adjusted EBITDA per credit facility with respect to the twelve-month period ended with the referenced quarter is on a preceding slide.

*For a reconciliation of leverage to total debt, net for reporting periods in the years 2016-2020, please refer to the Company's SEC filings.

Free Cash Flow and Free Cash Flow / Adjusted EBITDA Reconciliation

(in millions)	Nine Months Ended September 30, 2020	2019	2018	2017	2016
Net cash provided by operating activities	$ 497.9	$ 201.7	$ 130.6	$ 216.6	$ 109.8
Subtract: purchases of property, plant and equipment	73.6	61.9	55.8	43.1	41.9
Free cash flow	$ 424.3	$ 139.8	$ 74.8	$ 173.5	$ 67.9
Adjusted EBITDA per credit facility	$ 542	$ 356	$ 307	$ 334	$ 384
Free cash flow / Adjusted EBITDA per credit facility	78%	39%	24%	52%	18%

*For a reconciliation of adjusted EBITDA per credit facility to net income for reporting periods in the years 2016-2020, please refer to the Company's SEC filings.

Footnotes

1. Adjusted Net Income, EBITDA, adjusted EBITDA per credit facility, adjusted EPS, leverage free cash flow and constant currency are non-GAAP financial measures. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" on a previous slide for more information regarding the definitions of adjusted Net Income, EBITDA, adjusted EBITDA per credit facility, adjusted EPS, leverage, free cash flow and constant currency, including the adjustments (as applicable) from the corresponding GAAP information. Please refer to “Forward-Looking Statements” and “Limitations on Guidance” on a previous slide.
2. Sealy was ranked number one on Furniture Today's list of the Top 20 U.S. Bedding Producers in June 2020. See Furniture Today's Top 20 U.S. Bedding Producers methodology that includes SEALY® and STEARNS & FOSTER® products in Sealy ranking.
3. Based on the Company’s 2020 financial targets provided in the press release dated October 29, 2020 and the related earnings call on October 29, 2020. Please refer to “Forward-Looking Statements” and “Limitations on Guidance”.
4. Based on existing debt outstanding on September 30, 2020. Excludes revolving debt, foreign loans and receivables securitization. Term A Loan matures on October 16, 2024 provided that the 2023 Senior Notes are repaid or refinanced at least 180 days prior to maturity. For more information please refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 and the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2020.
5. For more information about the Aspirational Program and the terms of the aspirational PRSUs, please refer to the Company’s SEC filings. In addition, please refer to “Forward Looking Statements”.