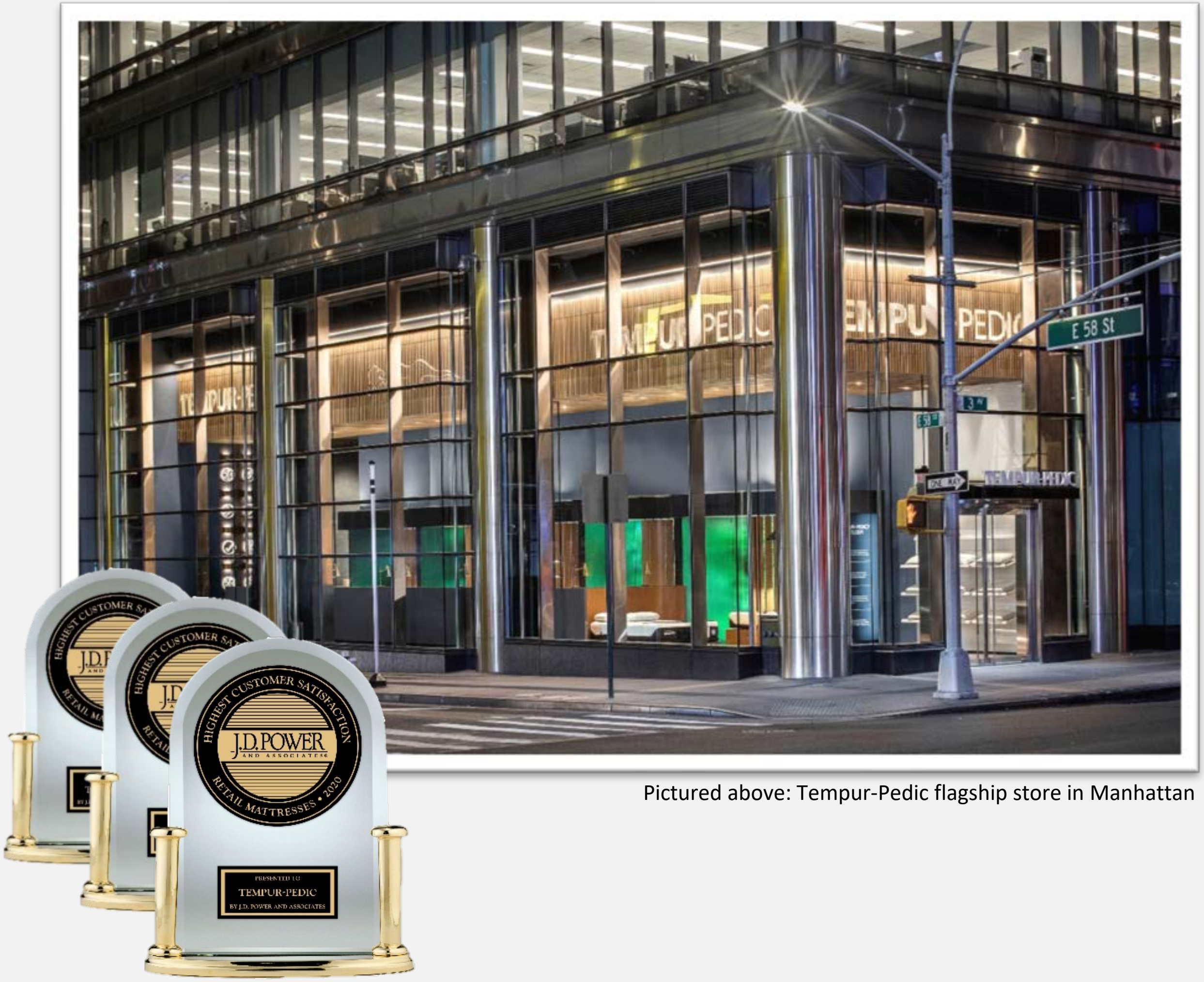
Tempur Sealy International, Inc. (TPX)

"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

PURPOSE

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

WHO WE ARE

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.

Our highly recognized brands include Tempur-Pedic, Sealy® featuring Posturepedic® Technology, and Stearns & Foster® and our non-branded offerings include value-focused private label and OEM products. Our distinct brands allow for complementary merchandising strategies and are sold through third-party retailers, our Company-owned stores and e-commerce channels.

TEMPUR SEALY

TPX At A Glance

Industry

- Stable and growing global bedding industry of ~$50 billion[(1)]
- U.S. market is concentrated and grows mid-single digits annually, driven by units and dollars[(1)]
- International is highly fragmented and about the size of the U.S market[(1)]
- TPX products are sold in over 100 countries through our omni-channel network

Consumer

- Consumers continue to make the connection between a good night of sleep and health and wellness
- Enhanced focus on health over past year has strengthened the health and wellness trend
- Housing market, consumer confidence and consumer spending are correlated to the bedding industry
- 90% of consumers want to touch and feel a mattress before making a purchase[(1)]

Tempur Sealy

- Global leader in the design, manufacture and distribution of bedding products
- 20% of total U.S. sales are currently sold through e-commerce[(1)]
- 2020 sales grew 18% and adjusted EPS grew 91%
- 2021 expectations include sales growth of 15% - 20% and EPS growth between 20% - 31%
- Initiated quarterly cash dividend and continued share repurchases with annual repurchase target of 6% in 2021

TEMPUR-PEDIC Sealy STEARNS & FOSTER

Competitive advantages:

- Established worldwide omni-channel presence
- Iconic brand and product portfolio
- World-class manufacturing capabilities
- Industry-leading balance sheet and free cash flow(2)

Three Months Ended December 31th

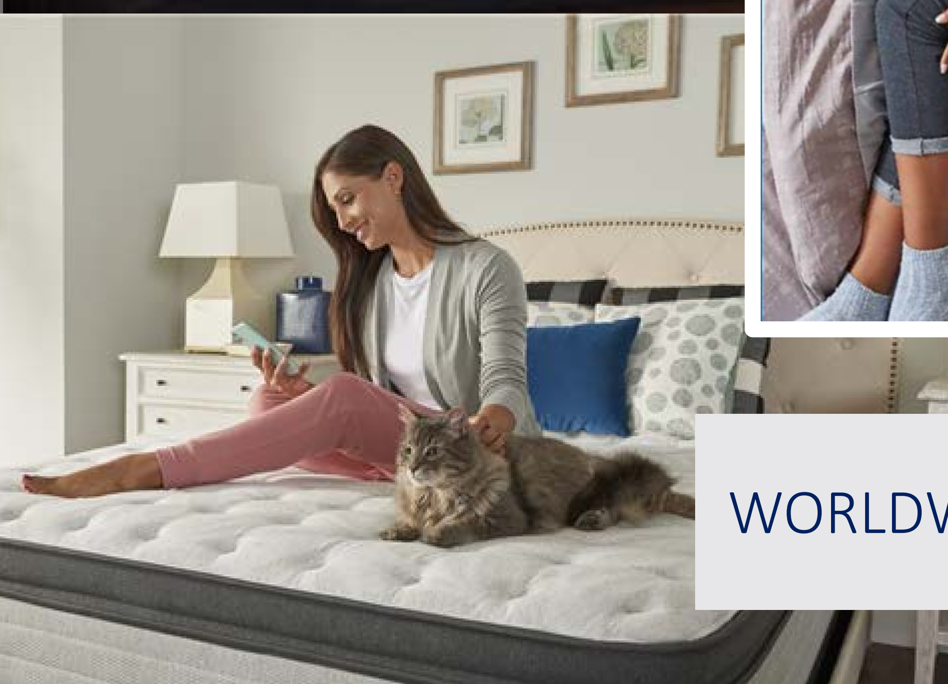
	2020	2019	Reported % Change	% Change Constant Currency(2)
Net Sales	$1,057.0	$871.3	21.3%	20.3%
Net Income	$144.7	$46.2	213.2%	210.2%
EPS	$0.67	$0.21	219.0%	214.3%
Adjusted EPS(2)	$0.67	$0.34	97.1%	94.1%
Adjusted EBITDA(2)	$239.5	$152.4	57.2%	55.8%

2021 Outlook and Recent Trends

- 15-20% full year 2021 sales growth
- Full year EPS between \$2.30 and \$2.50
- Implies EBITDA[2] between \$875 and \$925 million
- U.S. trends improved into Q1, International sales face increased headwinds from COVID-19 lockdowns
- Expecting Q1’21 net sales growth to be similar to Q4’20

2021 Financial Targets[4] and Assumptions	
Depreciation & Amortization	\$160M-\$180M
Capital Expenditures	\$125 to \$140M
Interest Expense	\$55 to \$60M
U.S. Federal Tax Rate	About 26%
Diluted Share Count	207M shares





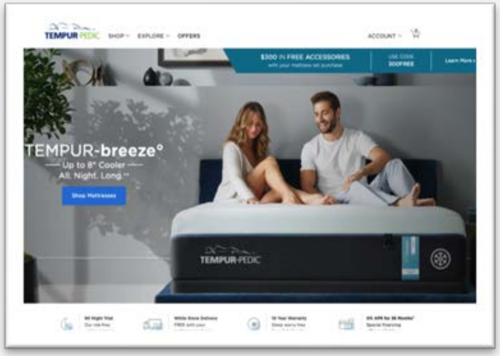

WORLDWIDE OMNI-CHANNEL

TEMPUR+SEALY

Powerful Omni-Distribution Platform

Wholesale

- Third-party retailers are our largest distribution channel
- Significant OEM opportunity



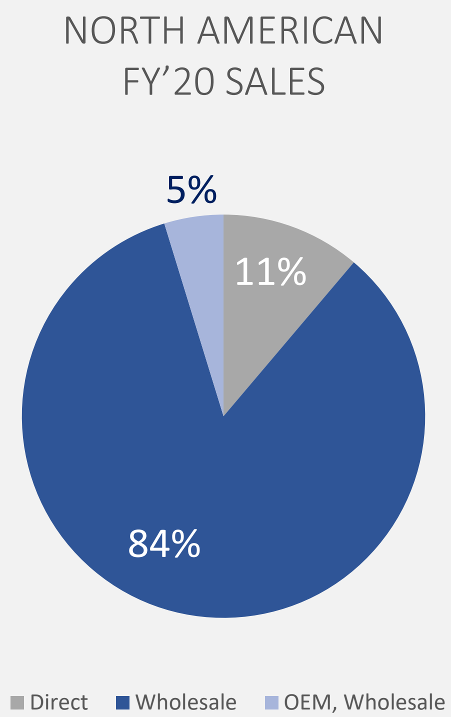
E-Commerce

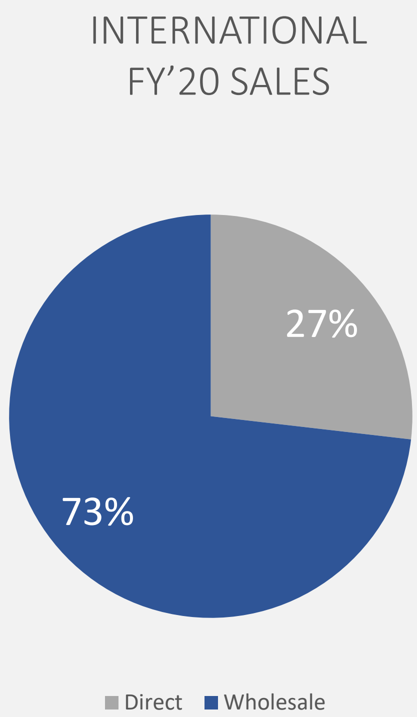
- Significant worldwide sales growth
- Highly profitable and expanding rapidly

Company Owned Stores

- Luxury Tempur-Pedic and multi-branded showroom experiences
- Operate 400 stores worldwide with sales growth opportunity
- Highly profitable and expanding margins

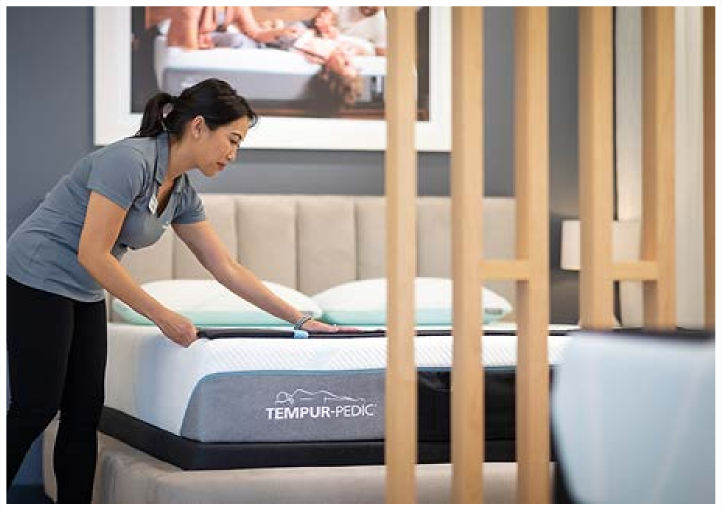
Geographic Segments





Wholesale: Third-Party Retailers

- Dominant worldwide distribution and broadly diversified
- Over 5,400 retail partners around the world selling through over 25,000 doors and their e-commerce platforms
- Global TPX sales force of over 500 people supporting our portfolio of brands



Wholesale: U.S. OEM Opportunity

- OEM market is about 20% of the total U.S. market and growing[1]
- Leverages manufacturing expertise, diversifies consolidated sales stream and captures manufacturing profits from bedding brands beyond our own
- Investing an incremental $150 million by 2023 to increase U.S. pouring capacity for Tempur material, specialty and base foam by approximately 50%
- ~$150 million of OEM sales in 2020; believe the run rate could exceed $600 million of annual sales in 5 years

SHERWOOD BEDDING TEMPUR SEALY comfort revolution

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

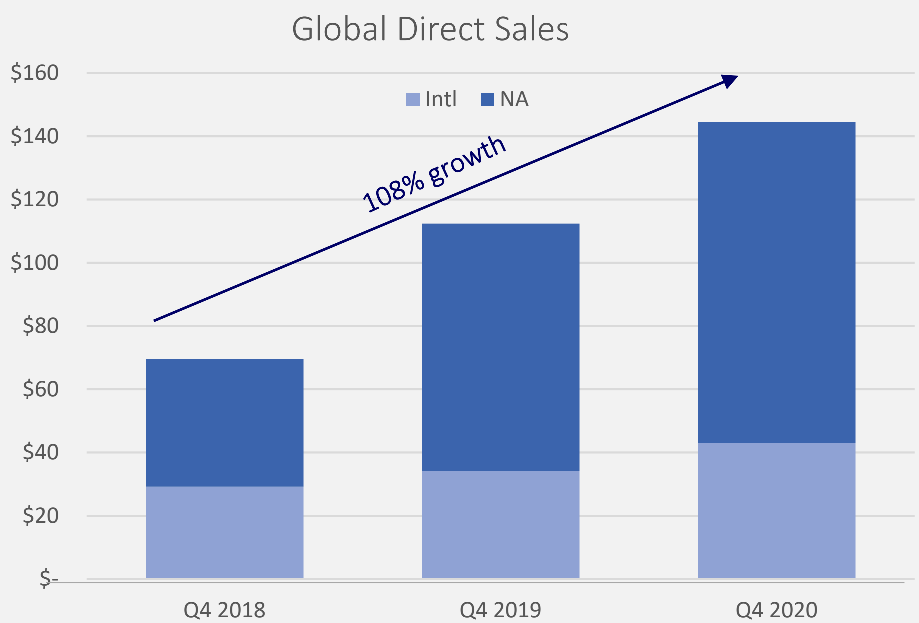
TPX proprietary RetailEdge training providing shopper-focused solutions

High growth and stable margins

WHOLESALE

Direct to Consumer

- High growth and high margin sales from web, call center, and company-owned stores
- Strong growth within the direct channel, growing 29% in the fourth quarter of 2020
- Long-term direct target: 25% of Tempur-Pedic net sales



Q4 global direct channel sales grew 108% over 2 years

U.S. Company-Owned Store Strategy

Tempur-Pedic® Retail Stores:

High-End Targeted Opportunity

- Approximately 80 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: $2,199 - $7,499

Sleep Outfitters®:

Broad-Based Opportunity
Strategic Representation

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

International Markets

- Highly fragmented with broad geographic diversity across Europe and Asia
- Developing new TEMPUR® line of mattresses to expand addressable market in 2022
    - Europe – strong share position in premium category, targeting share growth through distribution and innovation
    - Asia – share opportunity in emerging market, targeting aggressive share growth through distribution and innovation

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+

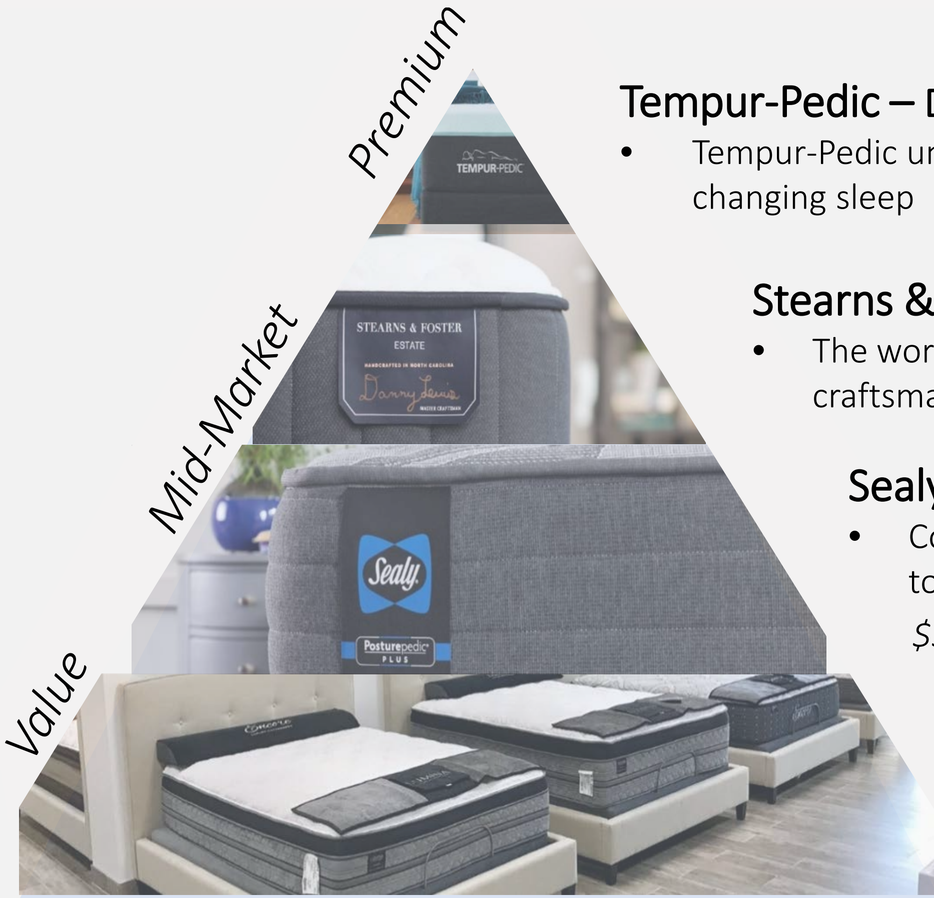
UNITED KINGDOM

- Acquired in 2020
- Full time employees : 250+

BRANDS & PRODUCTS

TEMPUR SEALY

Portfolio of Global Brands



Tempur-Pedic – Dominant worldwide premium bedding market position

- Tempur-Pedic uniquely adapts, supports and aligns to you to deliver truly life-changing sleep *$2,199-$7,499*

Stearns & Foster - 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.[(3)]

- Combines innovation, engineering and industry-leading testing to ensure quality and durability

  $399-$2,499

Private Label Offerings – Customized product

- Products for the value-orientated consumer

Brand Portfolio

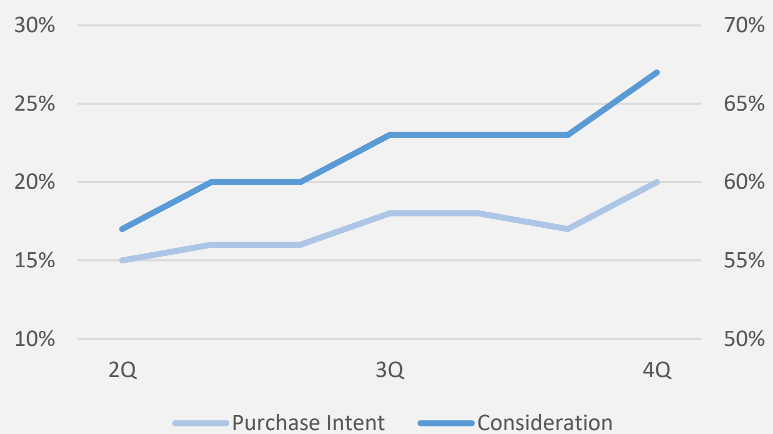
TPX brands are supported by a

$400+ million

global marketing budget with

INCREASING BRAND AWARENESS

Tempur-Pedic U.S. 2020 Brand Metrics



2021 Sealy Launch

Essentials

Posturepedic

Launching 1Q-2Q

Posturepedic Plus

Launching 3Q-4Q

“We expect this launch will further our market share gains and extend Sealy's lead as the number one mattress brand in North America[3].”

– Scott Thompson, CEO

Featuring Industry-Leading Technologies

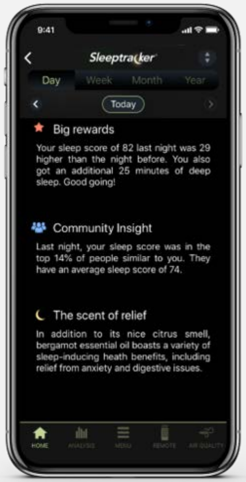
Surface-Guard

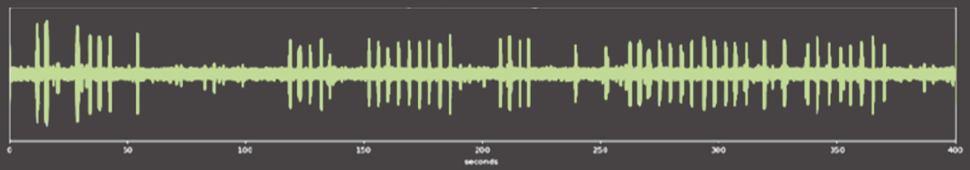
SealyChill™

TEMPUR-ERGO® SMART BASES

Powered by Sleeptracker-AI

With AUTOMATIC response to snoring





100% PASSIVE SENSORS

- Heart Rate
- Breathing Rate
- Snore Detection

Tempur Sealy Compressed Offerings

Our compressed bedding products are an 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 **more than doubled** in 2020

WORLD-CLASS MANUFACTURING CAPABILITIES

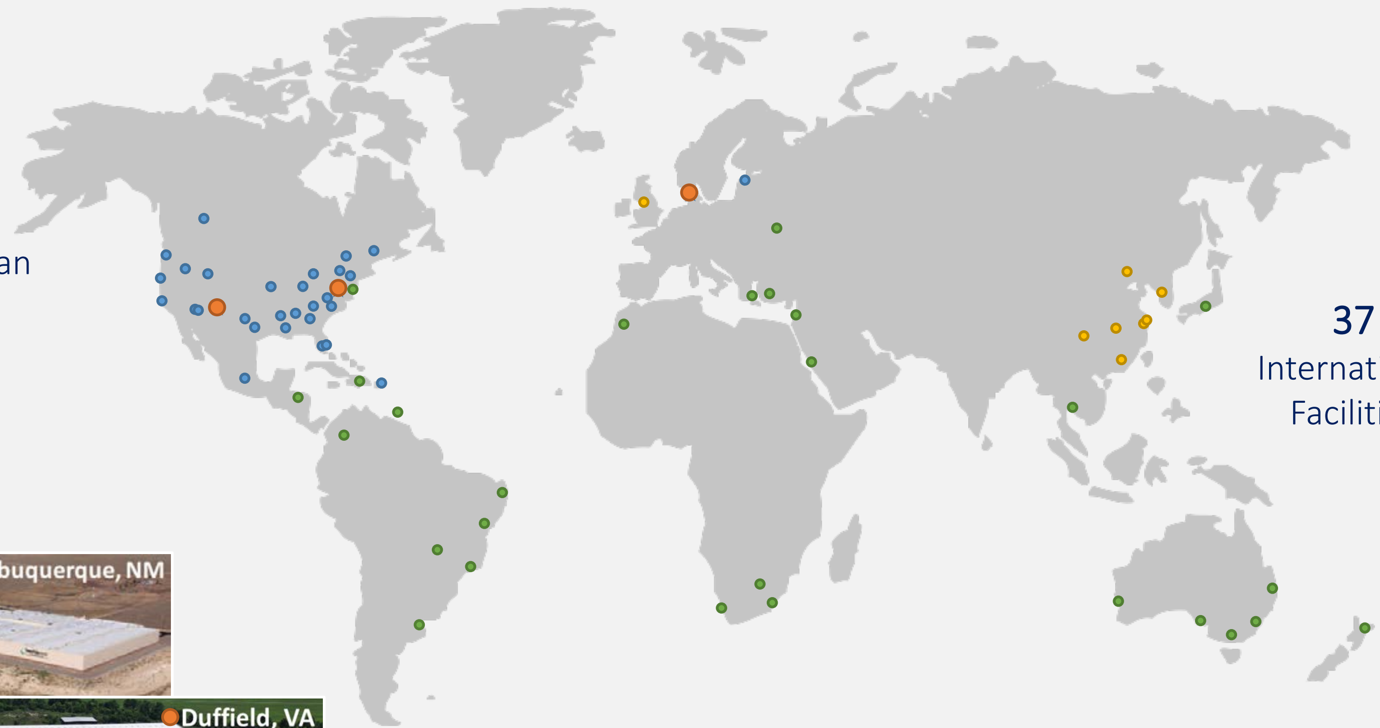
TEMPUR + SEALY

TEMPUR + SEALY

Total Plants

29
North American Facilities

37
International Facilities

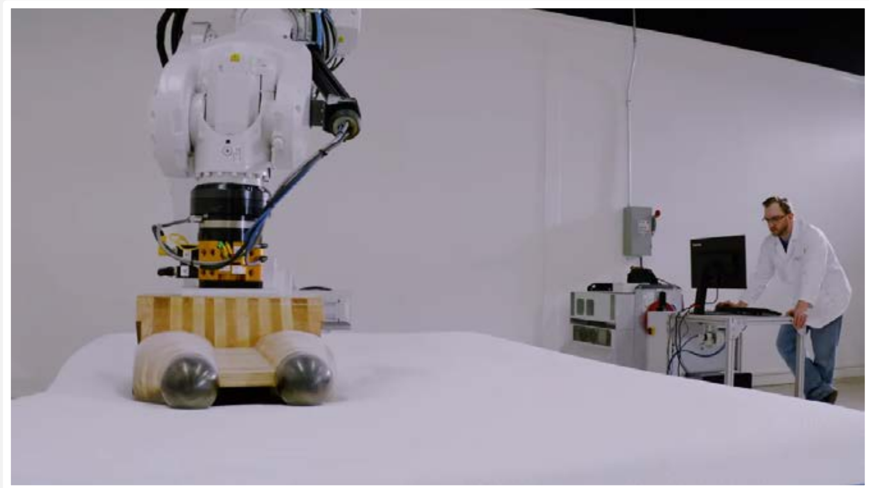


Leading Manufacturing Capabilities

- 66 manufacturing facilities
- 16 million square feet of manufacturing and distribution operations

R&D Innovation

- 75,000 square feet of research and development
- 14 state-of-the art product testing labs



Expanding Manufacturing Capacity

Sealy Dallas

Foam Pouring Facilities

- Expanding three existing foam facilities and opening one new state-of-the-art foam facility in the U.S. by 2023
- Expected to increase U.S. pouring capacity for Tempur material and base foam by approximately 50%

Sherwood

- Expanded Orlando plant production capacity by 60% in 2020
- Expect to open a 5th plant in the Northeast U.S. in 2021

West Coast facility

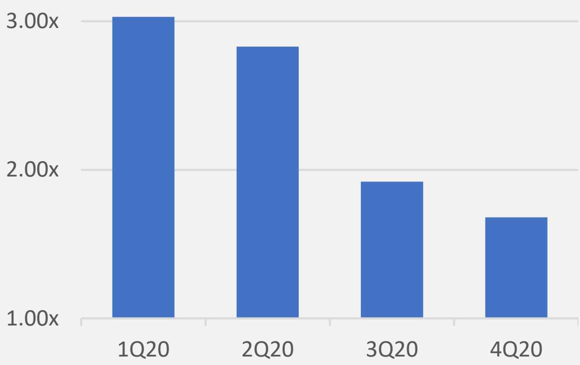
- Opening new facility in Reno, NV in 2021 to meet strong demand in the western region of the U.S.

INDUSTRY-LEADING BALANCE SHEET & CASH FLOW

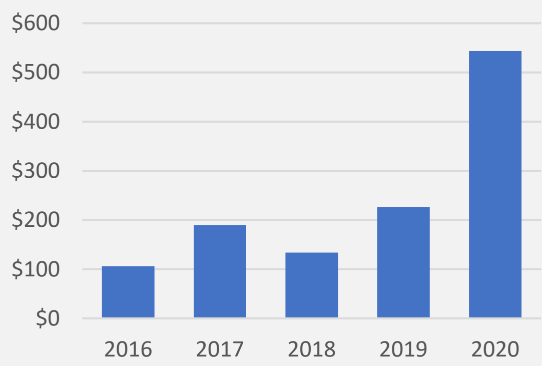
TEMPUR+SEALY

Strong Balance Sheet & Cash Flow

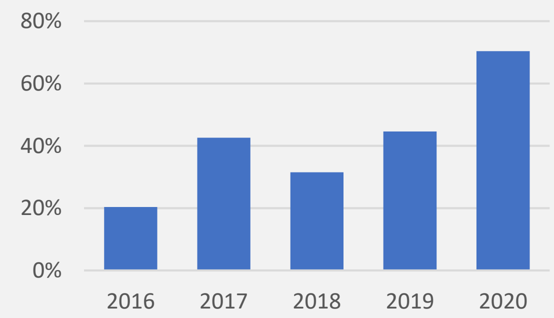
Leverage[2]



Full Year Free Cash Flow[2]



Full Year Free Cash Flow[2] / Full Year Adjusted EBITDA[2]



Balanced Capital Allocation Strategy

- Continue investing in people, plants and processes
- Increased share repurchase authorization and expect to repurchase 6% of shares outstanding in 2021
- Initiated a quarterly cash dividend in Q1 2021
- Maintain capacity for strategic acquisitions

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 achieving carbon neutrality for our wholly-owned global operations by 2040
- Achieved a 28% reduction in greenhouse gas emissions per unit produced at our wholly-owned manufacturing and logistics operations in 2020
- Improved the percent of waste recycled from our North American wholly-owned manufacturing operations to 91% in 2020, compared to 85% in 2019
- Installing solar panel technology at our largest manufacturing facility in Albuquerque, New Mexico in early 2021

Social

- Expanded global workforce by 21% over the last twelve months and increased the wages of U.S. salaried employees at our wholly-owned operations by 4% in 2020
- Committed to upholding employee diversity
- Contributed over $100 million in product, stock and cash to charity organizations since 2010

Corporate Governance

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

Corporate Social Value Highlights

Tempur Sealy has donated…

- an estimated $100 million in product 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

Value Creation Drivers

- Bedding market is a stable and growing industry with strong returns
- Importance of bedding will continue as consumers connect health and wellness with a good night of sleep
- Track record of developing and marketing differentiated products through consumer-centric innovation for the total global bedding market
- Omni-channel distribution strategy to be where the consumer wants to shop
- Robust free cash flow[(2)] and fortified balance sheet that provide flexibility to take advantage of industry and market opportunities

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 relating to the Company's quarterly cash dividend, the Company's share repurchase targets, the Company's expectations regarding net sales for 2021, EBITDA for 2021, and EPS for 2021 and subsequent periods and the Company's expectations for increasing sales growth, product launches, channel growth, acquisitions and commodities outlook. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from any that may be expressed herein as forward-looking statements. These potential risk factors include the risk factors discussed under the heading "Risk Factors" under ITEM 1A of Part 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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, 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™, SealyChill™ and Clean Shop Promise™ are trademarks, trade names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks in this presentation are the property of the respective owners.

Limitations on Guidance: **The guidance included herein is from the Company’s press release and related earnings call on February 11, 2021. 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.

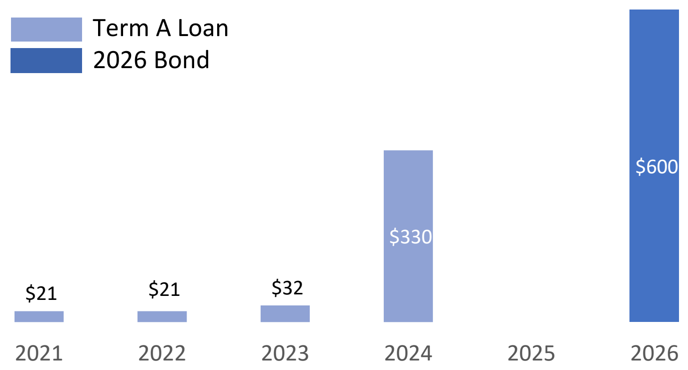
Free Cash Flow

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[2] lowest in Company's history at 1.7x, below the target range of 2.0-3.0x[5]
- Capital structure contains long-dated maturities

Mandatory Maturity Profile*[5]



<u>Rating Agency Ratings</u>
- Fitch initiated BB as of September 2020
- S&P: BB upgraded as of November 2020
- Moody's: Ba3 reaffirmed as of September 2020

*The Mandatory Maturity Profile does not include the 2023 bonds, which were fully redeemed in February 2021

Adjusted EBITDA Reconciliation

(in millions)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Net income	$ 144.7	$ 46.2
Interest expense, net	16.0	20.0
Loss on extinguishment of debt (1)	4.2	-
Income taxes	29.4	15.9
Depreciation and amortization	39.7	30.3
Aspirational plan amortization (2)	4.2	-
EBITDA	238.2	112.4
Adjustments		
Loss from discontinued operations, net of tax (3)	1.3	0.6
Aspirational plan employer costs (4)	2.3	-
Customer-related charges (5)	-	29.8
Charitable stock donation (6)	-	8.9
Credit facility Amendment (7)	-	0.7
Other income (8)	(2.3)	-
Adjusted EBITDA per credit facility	$ 239.5	$ 152.4

Notes

(1) In the fourth quarter of 2020, the Company recognized $4.2 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes. In the third quarter of 2020, the Company recognized $0.9 million of loss on extinguishment of debt 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 Company recognized an additional $4.2 million in the fourth quarter commensurate with the remaining requisite service period.

(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 fourth quarter of 2020, the Company recognized $2.3 million of employer-related tax costs related to the aspirational plan compensation.

(5) 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 liquidity issues with Mattress PAL's affiliates.

(6) In the fourth quarter of 2019, the Company recorded an $8.9 million charge related to the donation of common stock at fair market value to certain public charities.

(7) In 2019, the Company recorded $0.7 million of professional fees in connection with the amendment of the 2019 Credit Agreement.

(8) In the fourth quarter of 2020, the Company recorded $2.3 million of other income related to the sale of a manufacturing facility.

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 December 31, 2020
Net income	$	348.8
Interest expense, net		77.0
Loss on extinguishment of debt (1)		5.1
Income taxes		102.6
Depreciation and amortization		154.9
Aspirational plan amortization (2)		49.4
EBITDA		737.8
Adjustments		
Customer-related charges (3)		11.7
COVID-19 charges (4)		7.9
Incremental operating costs (5)		7.2
Asset impairments (6)		7.0
Restructuring costs (7)		3.8
Accounting standard adoption (8)		3.6
Aspirational plan employer costs (9)		2.3
Facility expansion costs (10)		0.6
Earnings from Sherwood prior to acquisition (11)		0.3
Other income (12)		(2.3)
Adjusted EBITDA per credit facility	$	779.9

Notes

(1) In the fourth quarter of 2020, the Company recognized $4.2 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes. In the third quarter of 2020, the Company recognized $0.9 million of loss on extinguishment of debt 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 Company recognized an additional $4.2 million in the fourth quarter commensurate with the remaining requisite service period.

(3) 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.

(4) In the second quarter of 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 the second quarter of 2020, the Company recorded $4.9 million of incremental operating costs associated with the global pandemic. Cost of sales included $4.5 million of costs for relief efforts, increased sanitation supplies and services and other items. Operating expenses included $0.4 million of charges related to increased sanitation supplies and services. In the first quarter of 2020, the Company recorded $2.3 million of charges related to the global

(6) 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.

(7) 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.

(8) In 2020, the Company recorded $3.6 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

(9) In the fourth quarter of 2020, the Company recognized $2.3 million of employer-related tax costs related to the aspirational plan compensation.

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

(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 $0.3 million of EBITDA from this subsidiary for the one month prior to acquisition in the Company's calculation of adjusted EBITDA per credit facility for the trailing twelve months ended December 31, 2020.

(12) In the fourth quarter of 2020, the Company recorded $2.3 million of other income related to the sale of a manufacturing facility. In the first quarter of 2019, the Company recorded $7.2 million of other income related to the sale of its interest in a subsidiary of the Asia-Pacific joint venture.

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 December 31, 2020	Three Months Ended December 31, 2019
Net income	$ 144.7	$ 46.2
Loss from discontinued operations, net of tax (1)	1.3	0.6
Aspirational plan amortization (2)	4.2	-
Aspirational plan employer costs (3)	2.3	-
Loss on extinguishment of debt (4)	4.2	-
Customer related charges (5)	-	29.8
Charitable stock donation (6)	-	8.9
Credit facility amendment (7)	-	0.7
Other Income (8)	(2.3)	-
Tax adjustments (9)	(11.2)	(10.8)
Adjusted net income	$ 143.2	$ 75.4
Adjusted earnings per common share, diluted	$ 0.67	$ 0.34
Diluted shares outstanding	214.1	220.4

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 the Company's 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 Company recognized an additional $4.2 million in the fourth quarter commensurate with the remaining requisite service period.

(3) In the fourth quarter of 2020, the Company recognized $2.3 million of employer-related tax costs related to the aspirational plan compensation.

(4) In the fourth quarter of 2020, the Company recognized $4.2 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes.

(5) 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 liquidity issues with Mattress PAL's affiliates.

(6) In the fourth quarter of 2019, the Company recorded an $8.9 million charge related to the donation of common stock at fair market value to certain public

(7) In 2019, the Company recorded $0.7 million of professional fees in connection with the amendment of the 2019 Credit Agreement.

(8) In the fourth quarter of 2020, the Company recorded $2.3 million of other income related to the sale of a manufacturing facility.

(9) Adjusted income tax provision represents the tax effects associated with the aforementioned items and discrete income tax events. In 2020, the Company recorded a $9.5 million discrete income tax benefit upon the vesting of the Company's long-term aspirational plan awards.

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

Leverage Reconciliation

(in millions, except ratio)		December 31, 2020
Total debt, net	$	1,366.9
Plus: Deferred financing costs[(1)]	$	3.4
Consolidated indebtedness		1,370.3
Less: Netted cash [(2)]		63.6
Consolidated indebtedness less netted cash	$	1,306.7
Adjusted EBITDA per credit facility[(3)]	$	779.9
Leverage		**1.68x**

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

	Twelve Months Ended December 31,				
(in millions)	2020	2019	2018	2017	2016
Net cash provided by operating activities	$ 654.7	$ 314.8	$ 207.5	$ 256.5	$ 168.1
Subtract: purchases of property, plant and equipment	111.3	88.2	73.6	66.6	61.9
Free cash flow	$ 543.4	$ 226.6	$ 133.9	$ 189.9	$ 106.2
Adjusted EBITDA per credit facility	$ 780	$ 508	$ 425	$ 446	$ 522
Free cash flow / Adjusted EBITDA per credit facility	70%	45%	32%	43%	20%

*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. Management estimates
2. 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.
3. 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.
4. Based on the Company’s 2020 financial targets provided in the press release dated February 11, 2021 and the related earnings call on February 11, 2021. Please refer to “Forward-Looking Statements” and “Limitations on Guidance”.
5. Based on existing debt outstanding on December 31, 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, 2020.