Tempur Sealy International, Inc. (TPX)

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

TEMPUR+SEALY

	Three Months Ended December 31, 2019	Twelve Months Ended December 31, 2019
Consolidated *% Sales*	$ 871M *100%*	$ 3,106M *100%*
North America *% Sales*	$ 719M *83%*	$ 2,533M *82%*
International *% Sales*	$ 152M *17%*	$ 573M *18%*

PURPOSE

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

BACKGROUND

Tempur Sealy is a market-leading, vertically integrated global company that develops, retails, both on and offline, manufacturers and markets bedding products.

Our long-term strategy is to drive earnings growth with high return on invested capital and robust free cash flow.

We drive to achieve industry-leading sustainability and environmental initiatives.

Forward-Looking Statements: This investor presentation contains statements that may be characterized as "forward-looking" within the meaning of federal securities laws. Please review carefully the cautionary statements and other information included in the Appendix under "Forward-Looking Statements".
Non-GAAP Financial Information: This presentation includes financial measures not accepted under U.S. Generally Accepted Accounting Principles ("GAAP"). Please refer to the footnotes and the explanations about such non-GAAP financial measures, including reconciliations to the corresponding GAAP financial measures, in the Appendix.
Footnotes: Please refer to the footnotes at the end of this presentation.

TEMPUR-PEDIC Sealy STEARNS & FOSTER

Product Sales

Three Months Ended December 31, 2019 (unaudited)	Bedding Products	Other Products	Net Sales
Consolidated	$ 791M	$ 80M	$ 871M
YoY Growth	30.3%	*16.1%*	*28.9%*
North America	$ 670M	$ 49M	$ 719M
YoY Growth	37.0%	*27.7%*	*36.3%*
International	$ 120M	$ 32M	$ 152M
YoY Growth	2.6%	*1.9%*	*2.4%*

Year Ended December 31, 2019 (unaudited)	Bedding Products	Other Products	Net Sales
Consolidated	$ 2,835M	$ 271M	$ 3,106M
YoY Growth	15.5%	*9.3%*	*14.9%*
North America	$ 2,379M	$ 154M	$ 2,533M
YoY Growth	18.9%	*14.6%*	*18.6%*
International	$ 456M	$ 117M	$ 573M
YoY Growth	0.6%	*3.1%*	*1.1%*

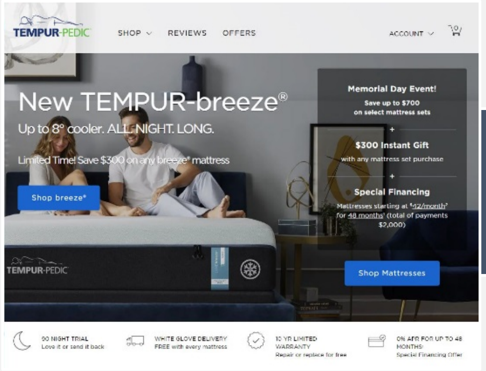
TEMPUR+SEALY

POWERFUL OMNI-CHANNEL

Powerful Omni-Distribution Platform

Wholesale

- Largest pillar of world-wide distribution
- In process with significant distribution gains



DTC Web

- Significant worldwide revenue growth
- Highly profitable and expanding gross margins

DTC Company Owned Stores

- Luxury showroom experience
- Significant worldwide revenue growth
- Highly profitable

Wholesale Strategy – New Distribution

Tempur Sealy's wholesale business strategy:

- grow market share with existing customers
- win new business
- expand into new channels of distribution

Undergoing the largest expansion of doors in the Company's history

Wholesale Strategy – Value Added Supplier

retailedge
POWERED BY TEMPUR SEALY

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

Winning Online: Wholesale and Direct to Consumer

Channel Type

TempurPedic.com
Most profitable online bedding company in the world
High growth and high margins

DIRECT TO CONSUMER

Compressed Bedding Products

High-end	Mid-level	Value
Tempur Cloud® *(Testing)*	Cocoon by Sealy™ *(Significant growth)*	Sealy-to-go *(Significant growth)*

OMNI-CHANNEL

Alternative Channels (Web-based Retailers)
Dedicated sales team with focus on eMarketplace sales growth
High growth and stable margins

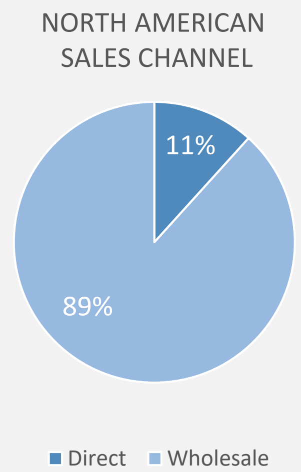
WHOLESALE

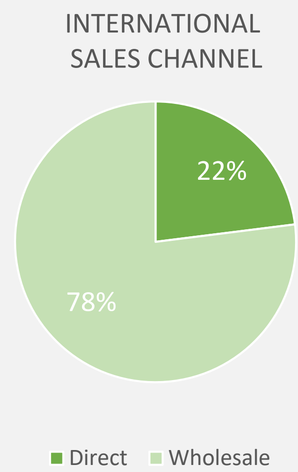
Traditional Retailers Online
TPX proprietary RetailEdge training providing shopper-focused solutions
High growth and stable margins

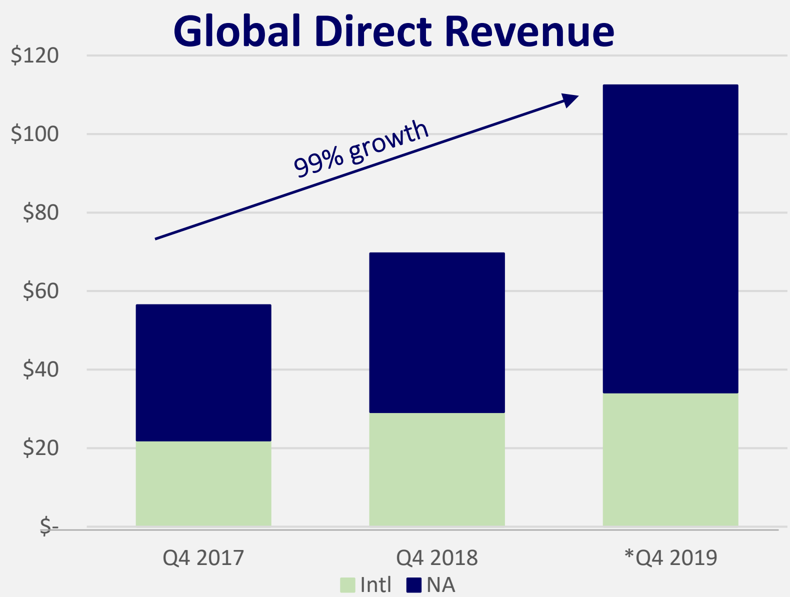
WHOLESALE

Direct to Consumer

- Distribution network made up of high growth, high margin, Web, Call Center, and Company-owned stores
- Strong growth within the direct channel, growing 62% in the fourth quarter of 2019
- Long-term direct target: 25% of Tempur-Pedic net sales







Q4 global direct channel sales grew 99% over 2 years

**Excluding Sleep Outfitters, Q4 global direct channel sales grew 50% over 2 years*

U.S. COMPANY-OWNED STORE STRATEGY

Tempur-Pedic® Retail Stores:

High-End Targeted Opportunity

- Approximately 60 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: $2,000 - $4,500

Sleep Outfitters®:

Broad-Based Opportunity
Strategic Representation

- Regional bedding retailer that is strategically important to the markets it serves for Tempur Sealy
- Store count: 97
- Tempur, Sealy and Stearns & Foster merchandising
- Wide range of ASP products: $300 - $4,500

U.S. RETAIL STORE FOOTPRINT

New Manhattan Store in Bloomberg Building

Opening June 2020[2]

~60 Tempur-Pedic Retail Stores

97 Sleep Outfitters Stores

BRANDS & PRODUCTS


Sealy
Sealy HYBRID


STEARNS & FOSTER®
STEARNS & FOSTER


TEMPUR-PEDIC®
TEMPUR-PEDIC®

CHOICE

Tempur rated #1 Most Reliable and #1 Highest Customer Satisfaction by Australian consumers

New Products in 2020

ACTIVEbreeze°

ADVANCED SLEEP SENSING

POWERED BY CLOUD AI

NONINTRUSIVE & SECURE

Sealy®

Posturepedic®

Complementary Product Strategy

Tempur Sealy has historically competed in

Branded Bedding

Estimated 75% of Industry Revenues

TEMPUR-PEDIC®

STEARNS & FOSTER®

Sealy Posturepedic®

SHERWOOD® BEDDING

Opportunity with

Non-Branded Bedding

Estimated 25% of Industry Revenues

Portfolio of Brands

Tempur-Pedic

- Tempur-Pedic uniquely adapts, supports and aligns to you to deliver truly life-changing sleep

$2,199-$7,499

Stearns & Foster

- The world's finest beds made with exceptional materials, time-honored craftsmanship and unparalleled design

  $1,499-$4,999

Sealy

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

  $399-$2,499

Sherwood - Private Label

- Products for the value-orientated consumer

  Under $1,299

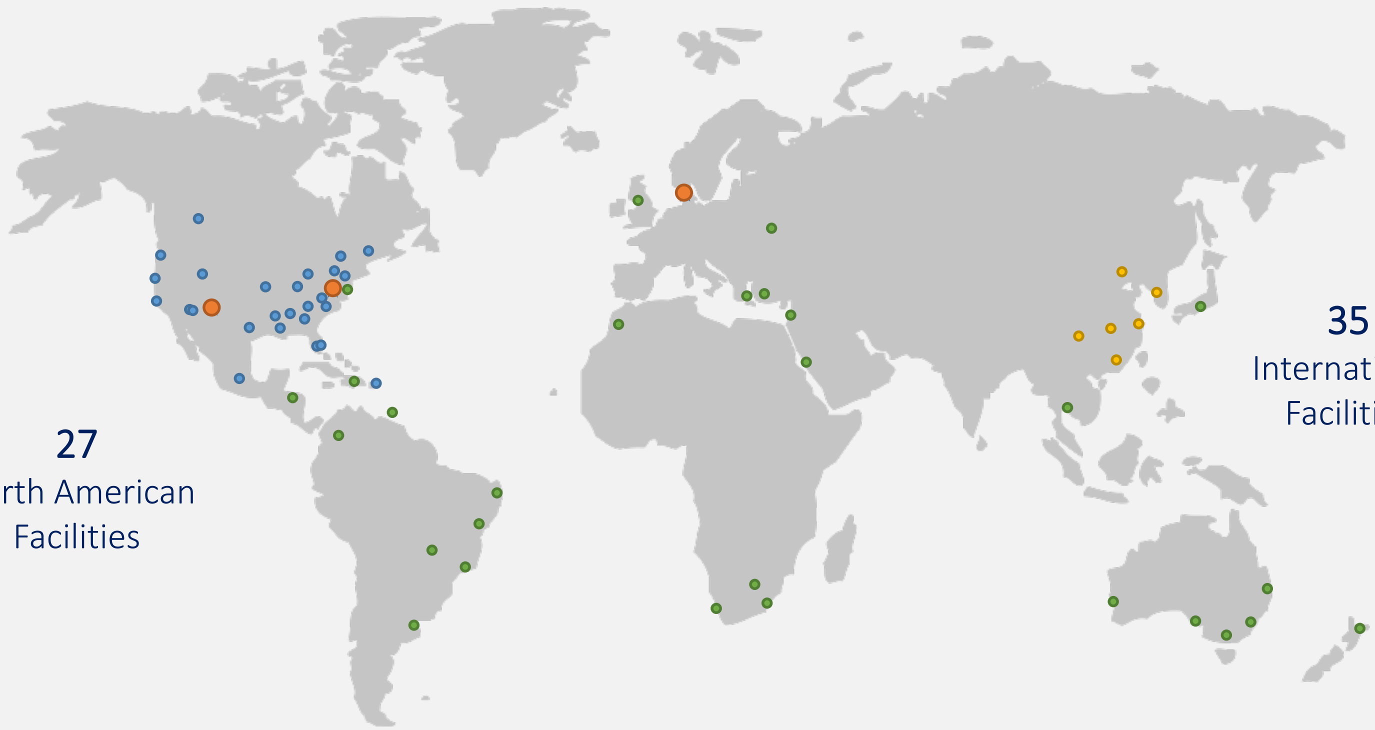
TEMPUR+SEALY

GLOBAL MANUFACTURING

TEMPUR+SEALY

TEMPUR SEALY

GLOBAL MANUFACTURING FOOTPRINT



27
North American
Facilities

35
International
Facilities

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

TEMPUR-PEDIC Sealy STEARNS & FOSTER

IMPROVEMENTS IN MANUFACTURING

DRIVING SHAREHOLDER VALUE

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]

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
- Strong balance sheet with a leverage ratio[1] of 2.9x as of 12/31/19
- Significant operating cash flow

Fourth Quarter 2019 Highlights

- Net Sales Increased 29%
- Direct Channel Net Sales Increased 62%
- Record Operating Cash Flow of $113M

Three Months Ended December 31st

($ in millions, except for EPS and % values) (unaudited)	2019	2018	Reported % Change	% Change Constant Currency[1]
Net Sales	$871.3	$676.1	28.9%	29.2%
Net Income	46.2	12.3	275.6%	276.4%
EBITDA[1]	112.4	77.9	44.3%	44.6%
EPS	0.84	0.22	281.8%	281.8%

Adjusted EBITDA[1]	**$152.4**	**$117.9**	**29.3%**	**29.5%**
Adjusted EPS[1]	**1.37**	**0.90**	**52.2%**	**52.2%**

Full Year 2019 Highlights

- Net Income Increased 89%
- Full Year EPS Increased 88% to $3.42
- Repurchased Over $100M of Shares

Year Ended December 31st

($ in millions, except for EPS and % values) (unaudited)	2019	2018	Reported % Change	% Change Constant Currency[1]
Net Sales	$3,106.0	$2,702.9	14.9%	16.0%
Net Income	189.5	100.5	88.6%	92.1%
EBITDA[1]	468.4	356.1	31.5%	33.2%
EPS	3.42	1.82	87.9%	91.2%

Adjusted EBITDA[1]	$508.1	$424.7	19.6%	21.0%
Adjusted EPS[1]	4.01	2.96	35.5%	37.5%

MARKET UPDATE[a]

North America

- Sales growth above expectations driven by a profitably growing direct channel and strong demand across all channels through March 2, 2020.
- We are comfortable with our supply chain of products for the U.S. business from China. The majority of U.S. products sold in the U.S. are produced in the U.S., limiting our supply chain exposure.

International

- International is stable, driven by growth above plan in Europe, offset by underperformance in Asia. The majority of our business in China runs through a 50% joint venture which somewhat mitigates the financial impact from the health issues in China. Five of six plants have reopened to support the Chinese market. We continue to monitor this dynamic situation.

Capital Allocation[b]

- As previously disclosed, the Company expected to repurchase approximately $50 million of shares each quarter. Due to market conditions, the Company expects to exceed this quarterly forecast and repurchase approximately $100 million during the first quarter.

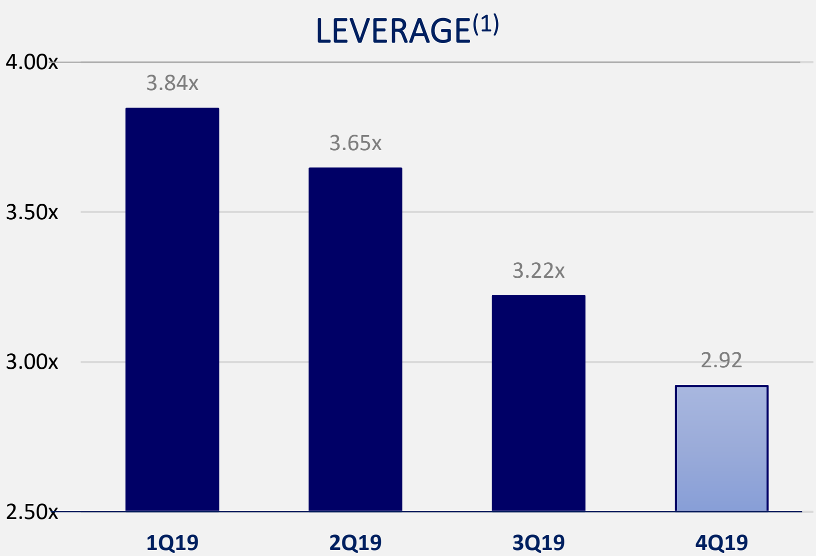
(a) Comments are made as of the date of this presentation on Monday, March 2, 2020.

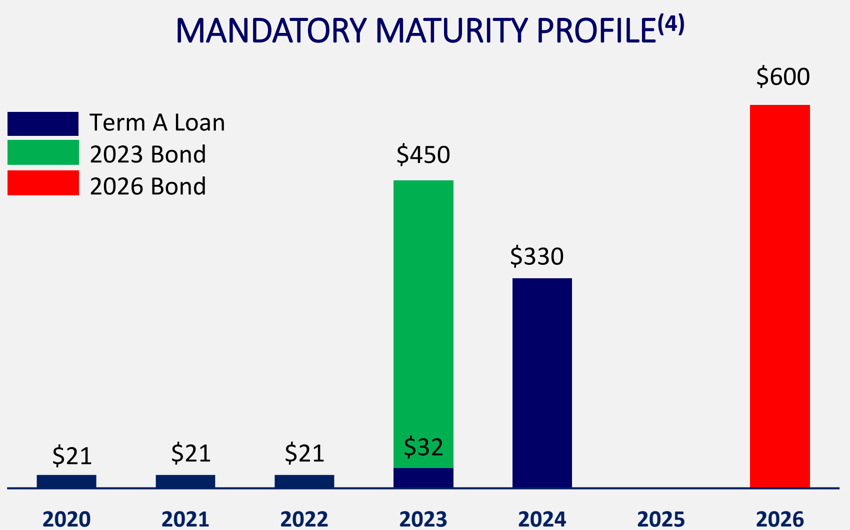
(b) The timing and actual number of shares repurchased will depend on a variety of factors including price, financing and regulatory requirements and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice.

Debt Structure

- Leverage ratio [1] decreased to below 3.0x, established new range of 2.5-3.5x[4]
- Fixed rate debt represents around 2/3 of total debt; capital structure contains long dated maturities
- Capital Allocation: Invest in the highest ROIC opportunities

  We believe in a consistent measured share repurchase pace and maintaining future optionality





Rating Agency Ratings
- S&P: BB- reaffirmed as of November 2019 and updated to positive outlook
- Moody's: Ba3 reaffirmed as of September 2018

2020 Targets

- Expecting to deliver record full-year net sales
- Expecting gross margin expansion
- Making a record investment in advertising for 2020, which will drive share of voice in the marketplace, inclusive of increased cooperative advertising from new distribution[2]
- On-going share repurchases of $50M per quarter, increased authorization to $300 million

2020 Financial Targets[3] and Assumptions	
Adjusted EBITDA[1]	$575 to $650 M
Depreciation & Amortization	$135 to $140 M
Capital Expenditures	$100 to $110M ($70M Maintenance)
Interest Expense	$80 to $85 M
U.S. Federal Tax Rate Range	27% to 28%
Diluted Share Count	54M Shares

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

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

Environmental

- In 2018, 72% of our North American facility waste was recycled
  - *16,066 barrels of oil, 51,152 trees, 16,070,577 KW hours, 3,009 tons of CO_2, 21,062,772 gallons of water*

Social

- Community Engagement
  - *Since 2011, donated nearly $300M of mattresses to charity*
  - *Since 2017, more than $4M in product donated to victims of natural disasters*
- Tempur Sealy Foundation
  - Supporting charities that assist children and families in Central Kentucky

Governance

- Majority of Directors on the Board are Independent
- Subject executives to significant stock ownership guidelines and holding requirements
- Global Code of Business Conduct and Ethics
- Internal Enterprise Risk Management
- International ethics line
- Zero tolerance policy towards improper payments and bribes

2020 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE HIGHLIGHTS

- Investing in solar panel technology for our largest mattress manufacturing operation, located in Albuquerque, New Mexico
- The solar panels will reduce[2] our annual electric consumption purchased from public utility by approximately 2 million kWh's

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

TEMPUR-PEDIC

Sealy

STEARNS & FOSTER®

comfort revolution

SLEEP OUTFITTERS
ESTABLISHED 1983

SOVA

SHERWOOD BEDDING

Appendix

Leverage Reconciliation

(in millions, except ratio)		4Q 19
Total debt, net	$	1,540.0
Plus: Deferred financing costs[1]	$	7.0
Consolidated indebtedness		1,547.0
Less: Netted cash [2]		63.4
Consolidated indebtedness less netted cash	$	1,483.6
Adjusted EBITDA[3]	$	508.1
Leverage		**2.92x**

Notes

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

(2) Netted cash includes cash and cash equivalents for domestic and foreign subsidiaries designated as restricted subsidiaries in the 2019 Credit Agreement. For purposes of calculating leverage ratios, netted cash is capped at $200.0 million.

(3) Represents Adjusted EBITDA for the trailing twelve-month period ended with the referenced quarter. A reconciliation of GAAP net income to Adjusted EBITDA with respect to the twelve-month period ended with the referenced quarter is on a subsequent slide.

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

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 and performance generally for 2020 and subsequent periods, the Company's expectations regarding optimizing worldwide distribution, expanding the direct-to-consumer business (including the Company's Tempur-branded retail store presence), investment in advertising, targeting of a new Sealy facility, investment in research and development, favorable commodities, favorable product launch expenses and the length of the product life cycle, the Company's share repurchase program, 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 correct. The Company undertakes no obligation to update any forward-looking statement contained herein to reflect events or circumstances after the date on which such statement is 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, natural disasters or pandemics; 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 ability to maintain efficient, timely and cost-effective production and delivery of products, and manage growth generally and in connection with the new or expanded supply agreements with Mattress Firm, Inc., Big Lots, Inc. and Beter Bed Holding N.V.; 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; financial solvency and related problems experienced by other market participants; the Company's ability to execute on its strategy to optimize and integrate the assets of Innovative Mattress Solutions, LLC ("iMS") acquired by an affiliate of the Company (Sleep Outfitters); risks associated with the Company's acquisition of 80% ownership of the assets of Sherwood Bedding, including the possibility that the expected benefits of the acquisition are not realized when expected or at all; 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; 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 ITEM 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. 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-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.

Limitations on Guidance: The guidance included herein is from the Company's press release and related earnings call on February 13, 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.

Footnotes

1. Adjusted Net Income, EBITDA, adjusted EBITDA, leverage, leverage ratio, and constant currency are non-GAAP financial measures. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" on the subsequent slide for more information regarding the definitions of adjusted Net Income, EBITDA, adjusted EBITDA, leverage, leverage ratio, and constant currency, including the adjustments (as applicable) from the corresponding GAAP information. Amounts shown for 2020 financial targets on a previous slide represent management estimates of adjusted EBITDA performance based on the Company’s guidance provided on February 13, 2020. Please refer to “Forward-Looking Statements” and “Limitations on Guidance” on the previous slide. The Company notes that it is unable to reconcile this forward-looking non-GAAP financial measure to GAAP net income, its most directly comparable forward-looking GAAP financial measure, without unreasonable efforts, because the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP net income in 2020 but would not impact adjusted EBITDA. These items that impact comparability may include restructuring activities, the impact of the termination of contracts with customers, foreign currency exchange rates, income taxes, and other items. The unavailable information could have a significant impact on the Company's full year 2020 GAAP financial results.
2. Management estimates.
3. Based on the Company’s 2020 financial targets provided in the press release dated February 13, 2020 and the related earnings call on February 13, 2020. Please refer to “Forward-Looking Statements” and “Limitations on Guidance”.
4. Based on debt outstanding at December 31, 2019. 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, 2018 and the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2019.
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”.

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, consolidated funded debt less qualified cash, leverage and leverage ratio 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 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

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

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, which the Company may refer to as leverage, is provided on a previous slide and is calculated by dividing consolidated indebtedness less netted cash, as defined by the Company's senior secured credit facility, by adjusted EBITDA. 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.

Adjusted EBITDA Reconciliation

	Three Months Ended		Trailing Twelve Months Ended
(in millions)	December 31, 2019	December 31, 2018	December 31, 2019
GAAP Net income	$ 46.2	$ 12.3	$ 189.5
Interest expense, net	20.0	22.8	85.7
Income taxes	15.9	15.2	74.7
Depreciation and amortization	30.3	27.6	118.5
EBITDA	112.4	77.9	468.4
Adjustments			
Loss from discontinued operations, net of tax (1)	0.6	6.9	1.4
Customer-related charges (2)	29.8	21.2	29.8
Charitable stock donation (3)	8.9	-	8.9
Credit facility amendment (4)	0.7	-	0.7
Restructuring costs (5)	-	9.1	-
Acquisition-related costs and other (6)	-	-	6.1
Supply chain transition costs (7)	-	2.8	-
Other income (8)	-	-	(7.2)
Adjusted EBITDA	$ 152.4	$ 117.9	$ 508.1

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 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. In the fourth quarter of 2018, the Company recorded $21.2 million of customer-related charges in connection with the bankruptcy of Innovative Mattress Solutions, LLC ("iMS") to fully reserve trade receivables and other assets associated with this account.

(3) 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.

(4) In the fourth quarter of 2019, the Company incurred $0.7 million of professional fees in connection with the amendment of the senior secured credit facility.

(5) In the fourth quarter of 2018, the Company recorded $9.1 million of restructuring costs, which included $0.2 million of other expense, net. These costs included $1.5 million of charges associated with the operational alignment of a previous joint venture that became wholly owned in the North America business segment, which included $1.3 million in cost of sales and $0.2 million of other expense, net. Restructuring costs also included $4.7 million of charges in the International business segment associated with International simplification efforts, which included $0.3 million in cost of sales. Corporate recorded $2.9 million of professional fees related to restructuring activities.

(6) In the first half of 2019, the Company recorded $6.1 million of acquisition-related and other costs, primarily related to post acquisition restructuring charges and professional fees incurred in connection with the acquisition of substantially all of the net assets of iMS by an affiliate of the Company.

(7) In the fourth quarter of 2018, the Company recorded $2.8 million of supply chain transition costs which represent charges incurred to consolidate certain manufacturing and distribution facilities, which included $1.8 million in cost of sales.

(8) 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, 2019	Three Months Ended December 31, 2018
GAAP net income	$ 46.2	$ 12.3
Loss from discontinued operations, net of tax [(1)]	0.6	6.9
Customer related charges [(2)]	29.8	21.2
Charitable stock donation [(3)]	8.9	-
Credit facility amendment [(4)]	0.7	-
Restructuring costs [(5)]	-	9.1
Supply chain transition costs [(6)]	-	2.8
Tax adjustments [(7)]	(10.8)	(2.6)
Adjusted net income	75.4	49.7
Adjusted earnings per common share, diluted	$ 1.37	$ 0.90
Diluted shares outstanding	55.1	55.1

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 fourth quarter of 2019, the Company recorded $29.8 million of customer-related charges in connection with the bankruptcy of Mattress PAL and resulting significant liquidity issues of Mattress PAL's affiliates to fully reserve trade receivables and other assets associated with this account. In the fourth quarter of 2018, the Company recorded $21.2 million of customer-related charges in connection with the bankruptcy of iMS to fully reserve trade receivables and other assets associated with this account.

(3) 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.

(4) In the fourth quarter of 2019, the Company incurred $0.7 million of professional fees in connection with the amendment of the senior secured credit facility.

(5) In the fourth quarter of 2018, the Company recorded $9.1 million of restructuring costs, which included $0.2 million of other expense, net. These costs included $1.5 million of charges associated with the operational alignment of a previous joint venture that became wholly owned in the North America business segment, which included $1.3 million in cost of sales and $0.2 million of other expense, net. Restructuring costs also included $4.7 million of charges in the International business segment associated with International simplification efforts, which included $0.3 million in cost of sales. Corporate recorded $2.9 million of professional fees related to restructuring activities.

(6) In the fourth quarter of 2018, the Company recorded $2.8 million of supply chain transition costs which represent charges incurred to consolidate certain manufacturing and distribution facilities, which included $1.8 million in cost of sales.

(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.

Adjusted Net Income and Adjusted EPS

(in millions, except per share amounts)	Year Ended December 31, 2019	Year Ended December 31, 2018
GAAP net income	$ 189.5	$ 100.5
Loss from discontinued operations, net of tax [(1)]	1.4	17.8
Customer related charges [(2)]	29.8	21.2
Charitable stock donation [(3)]	8.9	-
Acquisition-related costs and other [(4)]	6.1	-
Credit facility amendment [(5)]	0.7	-
Restructuring costs [(6)]	-	24.9
Other income [(7)]	(7.2)	-
Supply chain transition costs [(8)]	-	7.3
Tax adjustments [(9)]	(7.3)	(8.7)
Adjusted net income	221.9	163.0
Adjusted earnings per common share, diluted	$ 4.01	$ 2.96
Diluted shares outstanding	55.4	55.1

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 fourth quarter of 2019, the Company recorded $29.8 million of customer-related charges in connection with the bankruptcy of Mattress PAL and resulting significant liquidity issues of Mattress PAL's affiliates to fully reserve trade receivables and other assets associated with this account. In the fourth quarter of 2018, the Company recorded $21.2 million of customer-related charges in connection with the bankruptcy of Innovative Mattress Solutions, LLC iMS to fully reserve trade receivables and other assets associated with this account.

(3) 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.

(4) In the first half of 2019, the Company recorded $6.1 million of acquisition-related and other costs, primarily related to post acquisition restructuring charges and professional fees incurred in connection with the acquisition of substantially all of the net assets of iMS by an affiliate of the Company.

(5) In the fourth quarter of 2019, the Company incurred $0.7 million of professional fees in connection with the amendment of the senior secured credit facility.

(6) In 2018, the Company recorded $24.9 million of restructuring costs, which included $1.3 million of other expense, net. These costs included $11.5 million of charges related to the operational alignment of a joint venture that was wholly owned in the North America business segment, which included $6.1 million in cost of sales and $1.3 million of other expense, net. Restructuring costs also included $8.5 million of expenses in the International business segment related to International simplification efforts, which included $0.3 million in cost of sales. Corporate recorded $4.9 million of professional fees related to restructuring activities.

(7) 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.

(8) In 2018, the Company recorded $7.3 million of supply chain transition costs which represent charges incurred to consolidate certain manufacturing and distribution facilities, including $5.6 million in cost of sales and $0.8 million of other expense.

(9) 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.

Aspirational Program[5]

- The Company has an Aspirational Program which is a unique long-term program designed to provide extraordinary compensation for extraordinary performance. The Company seeks to accomplish these goals in a way that rewards performance that is aligned with its stockholders' interest as exemplified by the Company's Aspirational Program.
  - Performance restricted stock units ("PRSUs") for approximately 1.7 million shares of the Company's common stock were granted to over 150 employees as of 12/31/19
  - PRSUs will vest based on adjusted EBITDA[1] performance measured on a rolling 4 quarter basis during two performance periods -- 2018 and 2019; and 2020
  - If the minimum performance target is met for the applicable period, awards become payable shortly after the applicable period. If an officer or employee leaves for any reason prior to vesting, all of his or her PRSUs will be forfeited, subject to certain limited exceptions

Achievement Schedule

January 1, 2020 – December 31, 2020 (Period 2)			
Adjusted EBITDA (in millions)	**% of Total Grant of PRSUs That Will Vest**	**# Shares That Will Vest**	**Full Year Dilution Impact***
≥ $650	50%	850,000	1.5%
$600	33%	570,000	1.0%
< $600	0%	0	0.0%

- Measured quarterly on a trailing four quarter period
- If an award is earned in the first period the program ends, subject to a change of control provision
- Prorated based on performance between $600 & $650, but is only payable at the end of the respective period

*Assumed share count as of 12/31/19