

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 28, 2020

**TEMPUR SEALY INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**001-31922**  
(Commission File Number)

**33-1022198**  
(I.R.S. Employer Identification No.)

**1000 Tempur Way**  
**Lexington, Kentucky 40511**  
(Address of principal executive offices) (Zip Code)

**(800) 878-8889**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure.**

On May 28, 2020, Tempur Sealy International, Inc. (the "Company") distributed a press release (the "Market Update Press Release") announcing updates on the financial trends of the Company. A copy of the Market Update Press Release is furnished herewith as Exhibit 99.1 and is incorporated into this Item 7.01 by reference.

On May 28, 2020, the Company also released an updated investor presentation (the "Investor Presentation"). The Investor Presentation will be used from time to time in meetings with investors. A copy of the Investor Presentation is furnished herewith as Exhibit 99.2 and is incorporated into this Item 7.01 by reference.

The information disclosed pursuant to this Item 7.01 (including Exhibits 99.1 and 99.2) shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liability of that section and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit Number</b>	<b>Description</b>
99.1	<a href="#">Press Release of Tempur Sealy International, Inc. dated as of May 28, 2020.</a>
99.2	<a href="#">Tempur Sealy International, Inc. May 2020 Investor Presentation.</a>
104	Cover page interactive data file (embedded within the Inline XBRL document).

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 28, 2020

Tempur Sealy International, Inc.

By: /s/ Bhaskar Rao  
Name: Bhaskar Rao  
Title: Executive Vice President & Chief Financial Officer

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# TEMPUR+SEALY

## TEMPUR SEALY PROVIDES UPDATE ON SECOND QUARTER EBITDA EXPECTATIONS

– *Net Sales and EBITDA Improving*

**LEXINGTON, KY, May 28, 2020** – Tempur Sealy International, Inc. (NYSE: TPX, “Company” or “Tempur Sealy”) today provided an update on its second quarter performance. Quarter-to-date orders have significantly improved and the Company now expects total second quarter net sales to be down approximately 30% compared to the prior year. This improvement in trends has been broad-based, driven by continued robust growth from global e-commerce, the re-opening of domestic retail stores, and positive trends in Asia and Northern Europe.

In the U.S., the Memorial Day promotion is going well, and the Company has implemented tools to further support third-party retail store openings and restart industry growth. The Company recently began offering its Clean Shop Promise™ protocol, which is being broadly adopted to provide customers with a sense of comfort as they return to shopping in stores. Additionally, the Company significantly increased Tempur-Pedic brand advertising spend in the U.S. for the second quarter versus prior expectations. Since stores began reopening to consumers, early reports from third-party retailers are encouraging, with most experiencing historically strong closing rates on reduced floor traffic in addition to continued strength in e-commerce offerings.

Although the Company previously announced it expected an unadjusted EBITDA loss for the second quarter, the Company now expects to achieve at least breakeven unadjusted EBITDA for the second quarter of 2020 due to the improved sales outlook.

Tempur Sealy Chairman and CEO Scott Thompson commented, “Our success in mitigating the impact of the pandemic on our operations quarter to date is a testament to the resiliency and flexibility of our business model, the strength of our brands and product offerings, and the dedication of our team. Despite the challenges presented by COVID-19, we now believe we will report at least breakeven unadjusted EBITDA for the second quarter. We are very pleased with the progress made during this challenging period to date, including the over 100% growth in our U.S. e-commerce business. We will continue working to mitigate the COVID-19 impact while optimizing our competitive position.”

The Company noted its expectations are based on information available at the time of this release, and are subject to changing conditions, many of which are outside of the Company's control. The Company also noted that it was providing this update due to the unusual circumstances resulting from the COVID-19 pandemic and related economic downturn. The Company is not adopting any policy or practice of providing any mid-quarter updates on net sales, EBITDA or other aspects of its financial performance or providing net sales by month at any time.

## **Forward-Looking Statements**

This press release may be deemed to include statements that are "forward-looking" within the meaning of the federal securities laws, which include information concerning one or more of the Company's plans, objectives, goals, strategies, and other information that is not historical information. When used in this release, the words "expects", "believe" and variations of such words or similar expressions are intended to identify such statements. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. These forward-looking statements include, without limitation, statements relating to the Company's expectations regarding net sales, EBITDA and performance generally for the second quarter of 2020 and subsequent periods and the Company's expectations for emerging from the market downturn. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from any that may be expressed herein as forward-looking statements. These risk factors include the impact of the macroeconomic environment in both the U.S. and internationally on the Company's business segments; 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 efficiency and effectiveness of the Company's advertising campaigns and other marketing programs; consumer acceptance of the Company's products; general economic, financial and industry conditions, particularly conditions relating to liquidity, financial performance and related credit issues present in the retail sector; financial distress among 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. Other potential risk factors include the risk factors discussed under the heading "Risk Factors" in 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 March 31, 2020. There may be other factors that may cause actual results to differ materially from the forward-looking statements contained herein. 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.

## **About Tempur Sealy International, Inc.**

Tempur Sealy International, Inc. (NYSE: TPX) develops, manufactures, and markets mattresses, foundations, pillows and other products. The Company's products are sold worldwide through third-party retailers, its own stores, and online. The Company's brand portfolio includes many highly recognized brands in the industry, including Tempur®, Tempur-Pedic®, Sealy® featuring Posturepedic® Technology, and Stearns & Foster®. World headquarters for Tempur Sealy International is in Lexington, KY. For more information, visit <http://www.tempursealy.com> or call 800-805-3635.

## **Investor Relations Contact**

Aubrey Moore  
Investor Relations  
Tempur Sealy International, Inc.  
800-805-3635  
[Investor.relations@tempursealy.com](mailto:Investor.relations@tempursealy.com)

Tempur Sealy  
International, Inc.  
(TPX)

“We are continuing to  
mitigate the COVID-19  
impact while optimizing our  
competitive position”



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& FOSTER



## 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, manufactures, markets and retails bedding products both on and offline.

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

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

	Net Sales Three Months Ended March 31, 2020	Net Sales Twelve Months Ended December 31, 2019
Consolidated <i>% Sales</i>	\$ 822M 100%	\$3,106M 100%
North America <i>% Sales</i>	\$ 677M 82%	\$2,533M 82%
International <i>% Sales</i>	\$ 145M 18%	\$573M 18%

**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.

## GLOBAL MANUFACTURING FOOTPRINT



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## Portfolio of Brands



### Tempur-Pedic

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

### Private Label Offerings

- Products for the value-orientated consumer  
*Under \$1,299*





OMNI-CHANNEL CONSUMER    TEMPUR+SEA

# Powerful Omni-Distribution Platform



- Largest part of worldwide distribution
- Recent significant distribution gains



- Significant worldwide sales growth
- Highly profitable and expanding margins



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



STEARNS & FOSTER®

# Winning Online: Wholesale and Direct

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

CHANN

DIRECT  
CONSUM

**Compressed Bedding Products**  
TEMPUR-Cloud®  
COCOON by Sealy™  
Sealy-to-go

**Traditional Bedding Products**  
Tempur-Pedic  
Stearns & Foster  
Sealy

OMNI  
CHANN

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

WHOLESA

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

WHOLESA



# Tempur Sealy Compressed Offerings

Sealy-to-go



Value

COCOON by Sealy™



Mid-Level

TEMPUR-Cloud®



Premium

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

## 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
- Approximately 100 multi-branded retail locations
- Tempur, Sealy and Stearns & Foster merchandising
- Wide range of ASP products: \$399 - \$4,699



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& FOSTER

# TEMPUR+SEALY

Our Clean Shop Promise™ protocol involves making deliberate adjustments to employee training, customer experience, store environment and the delivery process in order to ensure the health and safety of consumers and employees.



**retailedge**  
POWERED BY TEMPUR SEALY



**CLEAN SHOP  
PROMISE**  
TEMPUR+SEALY

#### Program Features:

- One-use mattress and pillow shields provide a tangible barrier to ensure consumers' safety and comfort as they test products in-store
- In-depth training materials provides store employees with the tools needed to fulfill the Clean Shop Promise
- Eye-catching signage and informative digital content



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Q1 RESULTS AND  
2020 OUTLOOK





# First Quarter 2020 Highlights

## Three Months Ended March 31<sup>st</sup>

(\$ in millions, except for EPS and % values) (unaudited)	2020	2019	Reported % Change	% Change Constant Currency <sup>(1)</sup>
Net Sales	\$822.4	\$690.9	19.0%	19.8%
Net Income	59.7	28.4	110.2%	111.3%
EBITDA <sup>(1)</sup>	134.5	96.3	39.7%	40.2%
EPS	1.11	0.51	117.6%	119.6%
Adjusted EBITDA <sup>(1)</sup>	\$151.2	\$92.8	62.9%	63.5%
Adjusted EPS <sup>(1)</sup>	1.34	0.54	148.1%	150.0%

*“We delivered the highest first quarter adjusted EBITDA in our company’s history, despite the impact of COVID-19 on our global operations. Our robust first quarter results give us confidence that our underlying structure and strategies are working. While there are significant challenges that lie ahead, our strong operating momentum heading into this crisis gives us confidence that we will emerge even stronger on the other side.”*

*– Scott Thompson, Company Chairman and CEO*



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## Product Sales

Three Months Ended March 31, 2020 (unaudited)	Bedding Products	Other Products	Net Sales
Consolidated	\$ 756.5M	\$ 65.9M	\$ 822.4M
<i>YoY Growth</i>	20.1%	7.9%	19.0%
North America	\$ 640.3M	\$ 36.9M	\$ 677.2
<i>YoY Growth</i>	24.5%	24.7%	24.5%
International	\$ 116.2M	\$ 29.0M	\$ 145.2M
<i>YoY Growth</i>	0.7%	-7.9%	-1.2%

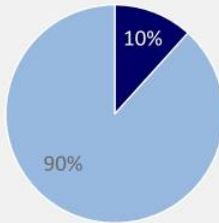


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## Direct to Consumer

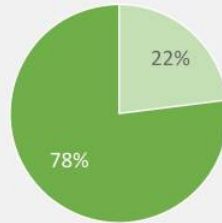
- Distribution network made up of high growth, high margin, Web, Call Center, and Company-owned stores
- Strong growth within the direct channel, growing 33% in the first quarter of 2020
- Long-term direct target: 25% of Tempur-Pedic net sales

NORTH AMERICAN SALES CHANNEL



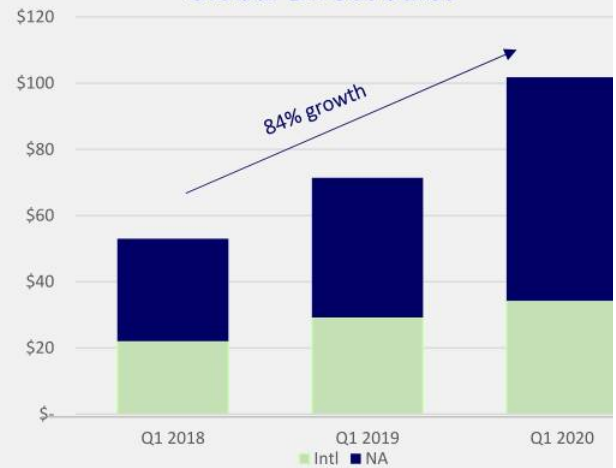
■ Direct ■ Wholesale

INTERNATIONAL SALES CHANNEL



■ Direct ■ Wholesale

Global Direct Sales

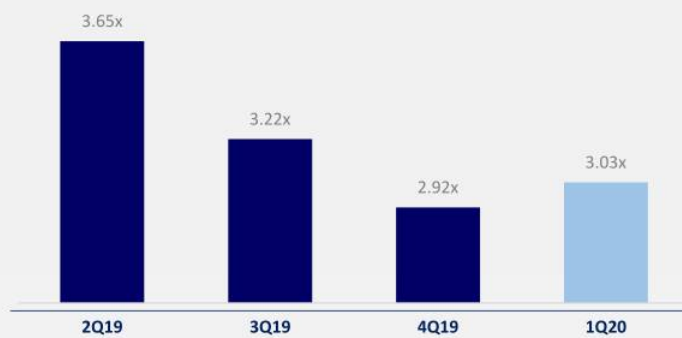


Q1 global direct channel sales grew 84% over 2 years  
 \*Excluding Sleep Outfitters, Q1 global direct channel sales grew 50% in 2 years

# Debt Structure

- Leverage ratio <sup>(1)</sup> 3.0x, at the midpoint of the target range of 2.5-3.5x<sup>(4)</sup>
- Capital structure contains long dated maturities; fixed rate debt represents around 2/3 of total debt
- Anticipate our leverage ratio to temporarily increase above our target range in 2020 due to COVID-19
- \$300 million of available liquidity as of March 31, 2020, obtained an additional \$200 million of liquidity in the form of a 364-Day Loan on May 13, 2020

LEVERAGE<sup>(1)</sup>



MANDATORY MATURITY PROFILE<sup>(4)</sup>



**Rating Agency Ratings**

- S&P: BB- reaffirmed as of March 2020
- Moody's: Ba3 reaffirmed as of May 2020



STEARNS & FOSTER

## 2020 Outlook

- Withdrew previously-issued full-year financial guidance for 2020 due to uncertainty from COVID-19
- Expect near-term profits to be challenged with an expected at least breakeven unadjusted EBITDA<sup>(1)</sup> in the second quarter 2020
- Recently increased Tempur-Pedic brand advertising spend in the U.S. to support third-party retail store openings and restart industry growth
- Expect to generate operating cash flow for the full year 2020

### 2020 Financial Targets<sup>(3)</sup> and Assumptions

Depreciation & Amortization	\$130 to \$135 M
Capital Expenditures	\$75 to \$90M (\$70M Maintenance)
Interest Expense	\$90 to \$95M
U.S. Federal Tax Rate Range	29% to 30%
Diluted Share Count	53M Shares

## MARKET UPDATE<sup>(2)</sup>

### Q2 Trends:

- Expect second quarter net sales to be down approximately 30% compared to prior year
- The Memorial Day promotion is going well in the U.S. Many re-opened retailers report experiencing historically strong closing rates reduced floor traffic in addition to continued strength in e-commerce offerings
- International operations continue to demonstrate overall improving trends with positive trends in Asia and Northern Europe
- Updated second quarter expectation of at least breakeven unadjusted EBITDA<sup>(1)</sup>

### U.S. Direct Channel Updates:

- Beginning to reopen stores in a phased approach and expect the vast majority of our approximate 160 retail store locations to be open by the end of May
- All reopened stores will follow our Clean Shop Promise™ protocol
- Some company-owned stores may operate with reduced hours and/or modified delivery service

### U.S. Wholesale Channel Updates:

- Believe about 65% of our third-party retail stores will be open by the end of May, up from 40% at the end of April
- Offering our Clean Shop Promise™ protocol as a resource as we support retailers through their store re-openings





DRIVING SHAREHOLDER VALUE

# TEMPUR+SEALY



## 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<sup>(1)</sup>

## 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
- Expect positive operating cash flows for full year 2020





# 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<sub>2</sub>, 21,062,772 gallons of water

## Social

- Community Engagement
- Donated stock with a market value of approximately \$9 million to public charities in December 2019

## 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

## Corporate Social Value Highlights

- The Company has developed, manufactured and donated specialty mattresses and other products to be used in the fight against COVID-19
- The Tempur Sealy Foundation donated \$160,000 to charities serving communities during the crisis

Donated stock with a market value of approximately \$9 million to public charities in December 2019

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



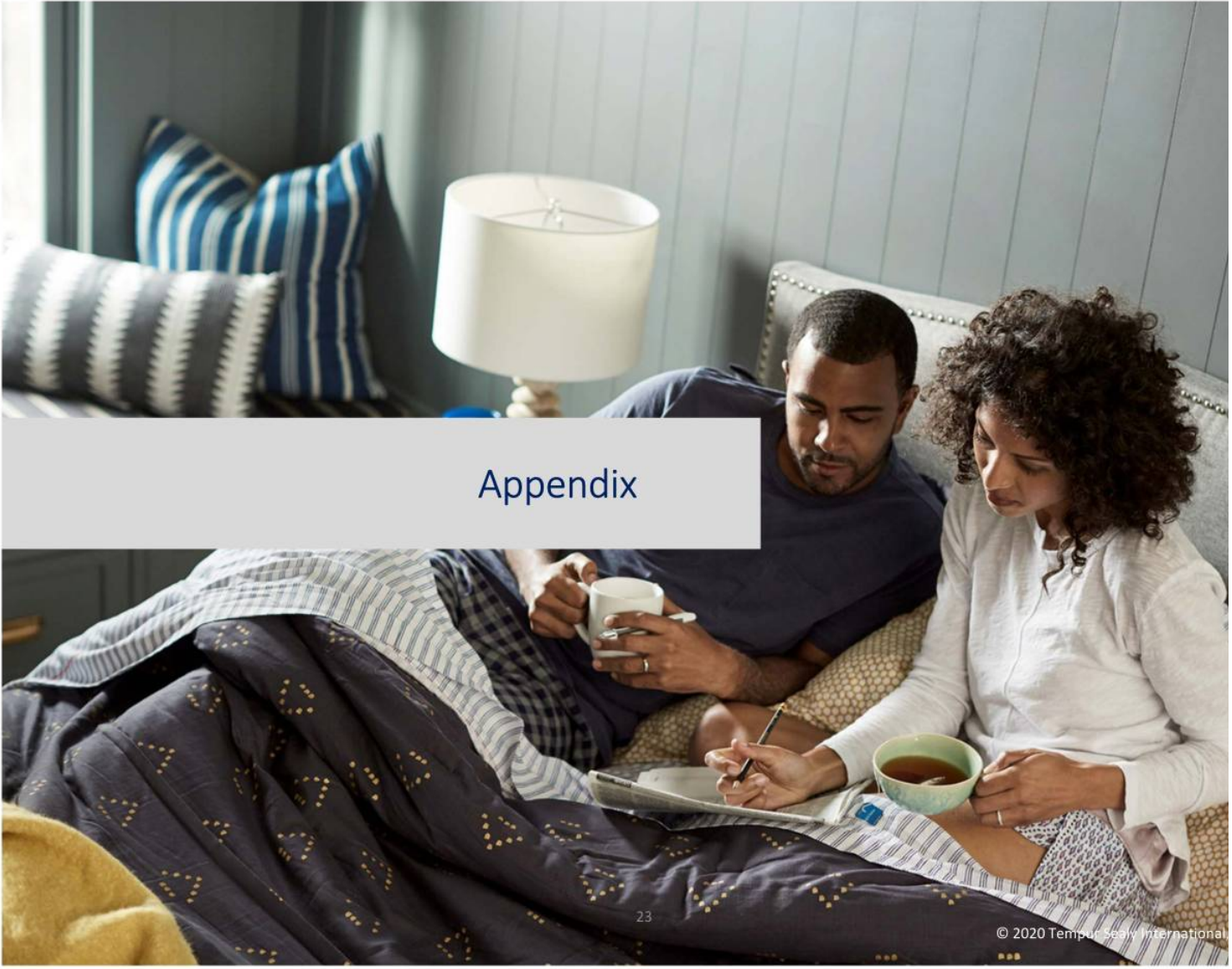
Ranked a 'Strong Buy With the Best ESG Score' by Raymond James

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](mailto: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," "expectations," "anticipates," "seeks," "projects," "plans," "proposed," "targets," "intends," "goals," "believes," "will," and variations of such words or similar expressions are intended to identify such statements. Forward-looking statements include, without limitation, statements relating to the Company's expectations regarding EBITDA, adjusted EBITDA, net sales, leverage ratio, operating cash flow and performance generally for 2020 and subsequent periods, the Company's expectations regarding direct and wholesale store re-openings, modifications of store and delivery services and the implementation of the Com Clean Shop Promise™ protocol, the Company's Aspirational Program and ongoing productivity initiatives. Any forward-looking statements contained herein are based upon current expectations and beliefs under 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 or revise 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. The 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; uncertainty 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 market, 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 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; risks associated with the Company's acquisition of 80% ownership of the assets of Sherwood Acquisition Holdings, LLC, 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; 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 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; 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 plan 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 Item 1A of the Company's Quarterly Report on Form 10-Q for the quarter ended March 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-LUXEebreeze™, 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 April 30, 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, 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

(in millions)	Three Months Ended		Trailing Twelve Months Ended
	March 31, 2020	March 31, 2019	March 31, 2020
Net income	\$ 59.7	\$ 28.4	\$ 220.8
Interest expense, net	20.3	22.4	83.6
Income taxes	23.5	16.9	81.3
Depreciation and amortization	31.0	28.6	120.9
EBITDA	134.5	96.3	506.6
Adjustments			
Loss from discontinued operations, net of tax (1)	1.2	0.4	2.2
Customer-related charges (2)	11.7	-	41.5
Earnings from Sherwood prior to acquisition (3)	-	-	9.8
Charitable stock donation (4)	-	-	8.9
Acquisition-related costs and other (5)	-	(3.9)	3.5
Operational disruptions (6)	2.3	-	2.3
Accounting standard adoption (7)	1.5	-	1.5
Adjusted EBITDA	\$ 151.2	\$ 92.8	\$ 576.3

## 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 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.
- (3) 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 \$9.8 million of EBITDA from this subsidiary for the ten months prior to acquisition in the Company's calculation of adjusted EBITDA for the trailing twelve months ended March 31, 2020.
- (4) 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.
- (5) In the first quarter of 2019, the Company recorded \$3.3 million of acquisition-related and other costs in operating expenses, primarily related to professional fees for the acquisition of Sleep Outfitters. These costs were offset by \$7.2 million of other income related to the sale of its interest in a subsidiary of the Asia-Pacific joint venture. In the remainder of 2019, the Company recorded \$3.5 million of acquisition-related and other costs. These costs included \$2.8 million of post-acquisition restructuring charges and professional fees incurred in the acquisition of Sleep Outfitters and \$0.7 million of professional fees in connection with the amendment of the senior secured credit facility.
- (6) In the first quarter of 2020, in applying contractual definitions under the 2019 Credit Agreement, the Company recorded \$2.3 million of certain direct charges related to operational disruptions caused by the government shutdowns as a result of COVID-19.
- (7) In the first quarter of 2020, the Company recorded \$1.5 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, the Company elected to eliminate the effect of this accounting change within its covenant compliance calculation.

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

# Adjusted Net Income and Adjusted EPS

<i>(in millions, except per share amounts)</i>	Three Months Ended	
	March 31, 2020	March 31, 2019
Net income	\$ 59.7	\$
Loss from discontinued operations, net of tax <sup>(1)</sup>	1.2	
Customer-related charges <sup>(2)</sup>	11.7	
Operational disruptions <sup>(3)</sup>	2.3	
Accounting standard adoption <sup>(4)</sup>	1.5	
Acquisition-related costs and other <sup>(5)</sup>	-	
Tax adjustments <sup>(6)</sup>	(3.9)	
Adjusted net income	\$ 72.5	\$
Adjusted earnings per common share, diluted	\$ 1.34	\$
Diluted shares outstanding	54.0	

## 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 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.
- (3) In the first quarter of 2020, in applying contractual definitions under the 2019 Credit Agreement, the Company recorded \$2.3 million of certain direct charges related to operational disruptions caused by the government shutdowns as a result of COVID-19.
- (4) In the first quarter of 2020, the Company recorded \$1.5 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326) 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 first quarter of 2019, the Company recorded \$3.3 million of acquisition-related and other costs in operating expenses, primarily related to professional fees for the acquisition of Sleep Outfitters. These costs were offset by \$7.2 million of other income related to the sale of its interest in a subsidiary of the Asia-Pacific joint venture.
- (6) 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

<i>(in millions, except ratio)</i>		<b>1Q 20</b>
Total debt, net	\$	1,933.0
Plus: Deferred financing costs <sup>(1)</sup>	\$	8.9
Consolidated indebtedness		1,941.9
Less: Netted cash <sup>(2)</sup>		195.9
Consolidated indebtedness less netted cash	\$	1,746.0
Adjusted EBITDA <sup>(3)</sup>	\$	576.3
<b>Leverage</b>		<b>3.03x</b>

## 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 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 net income to Adjusted EBITDA with respect to the twelve-month period ended with the referenced quarter is on a preceding slide.

# Aspirational Program<sup>(5)</sup>

- 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<sup>(1)</sup> 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

# Footnotes

1. Adjusted Net Income, EBITDA, adjusted EBITDA, adjusted EPS, 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 performance based on the Company's guidance provided on April 30, 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. Comments are made as of the date of this presentation on Thursday, May 28, 2020.
3. Based on the Company's 2020 financial targets provided in the press release dated April 30, 2020 and the related earnings call on April 30, 2020. Please refer to "Forward-Looking Statements" and "Limitations on Guidance".
4. Based on existing debt outstanding on March 31, 2020 and including the 364-Day Loan entered into on May 13, 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 March 31, 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".

