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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) February 18, 2015

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**TEMPUR SEALY INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**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)

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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 (see General Instruction A.2. below):

- 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))
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**Item 7.01. Regulation FD Disclosure**

On February 18, 2015, Tempur Sealy International, Inc. will host a webcast of its Investor Day. Attached as Exhibit 99.1 to this report and furnished under this Item 7.01 are copies of slides used by Tempur Sealy International, Inc. for the investor presentation at its Investor Day.

The information in this report (including Exhibit 99.1) 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 such filing.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Tempur Sealy International, Inc. Investor Day Presentation

**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: February 18, 2015

Tempur Sealy International, Inc.

By: /s/ DALE E. WILLIAMS  
Name: Dale E. Williams  
Title: Executive Vice President and Chief Financial Officer

**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
99.1	Tempur Sealy International, Inc. Investor Day Presentation

# Tempur Sealy 2015 Investor Day

New York, NY

February 18, 2015

*“Improving the Sleep of More People Every Night,  
All Around the World”*

TEMPUR+SEALY



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Mark Rupe  
Vice President, Investor Relations

# Agenda

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## Company Participants



**Mark Sarvary**  
CEO and President



**Tim Yaggi**  
Chief Operating Officer



**David Montgomery**  
EVP and President,  
International



**Dale Williams**  
EVP and CFO



**Barry Hytinen**  
EVP, Corporate  
Development & Finance



**Mark Rupe**  
VP, Investor  
Relations

- 
- Mark Sarvary Investment Highlights & Strategy
  - Tim Yaggi North America
  - David Montgomery International
  - Dale Williams Financial Overview
  - Leadership Team Q&A Session

Webcast participants may email questions to: [investor.relations@tempur-sealy.com](mailto:investor.relations@tempur-sealy.com)

# Forward-Looking Statements

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This investor presentation contains "forward-looking statements," 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 presentation, the words "assumes," "estimates," "expects," "guidance," "anticipates," "projects," "plans," "proposed," "intends," "believes," and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to the Company's expectations regarding its key strategic growth initiatives and strategic priorities, expectations regarding the Company's net sales, revenue performance, adjusted EBITDA, adjusted EPS, operating cash flow, free cash flow, synergies and pricing increases and related assumptions for 2015 and subsequent years, expectations regarding net sales growth rates, sales growth opportunities for Sealy in international markets and for the TEMPUR-Flex line of products, margin improvements, expansion of distribution, AUSP growth, the impact of foreign exchange, the Company's leverage ratio, and expectations regarding growth opportunities relating to acquisitions and returning value to stockholders. All forward looking statements are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from those expressed as forward-looking statements in this investor presentation. These risk factors include risks associated with the Company's capital structure and increased debt level; the ability to successfully integrate Sealy into the Company's operations and realize cost and revenue synergies and other benefits from the transaction; whether the Company will realize the anticipated benefits from its asset dispositions in 2014 and the acquisition of brand rights in certain international markets in 2014; general economic, financial and industry conditions, particularly in the retail sector, as well as consumer confidence and the availability of consumer financing; changes in product and channel mix and the impact on the Company's gross margin; changes in interest rates; the impact of the macroeconomic environment in both the U.S. and internationally on the Company's business segments; uncertainties arising from global events; the effects of changes in foreign exchange rates on the Company's reported net sales and earnings; consumer acceptance of the Company's products; industry competition; the efficiency and effectiveness of the Company's advertising campaigns and other marketing programs; the Company's ability to increase sales productivity within existing retail accounts and to further penetrate the Company's retail channel, including the timing of opening or expanding within large retail accounts and the timing and success of product launches; the effects of consolidation of retailers on revenues and costs; the Company's ability to expand brand awareness, distribution and new products; the Company's ability to continuously improve and expand its product line, maintain and improve efficient, timely and cost-effective production and delivery of its products, and manage its growth; the effects of strategic investments on the Company's operations; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carry forwards; the outcome of various pending tax audits or other tax proceedings; changing commodity costs; and the effect of future legislative or regulatory changes.

Additional information concerning these and other risks and uncertainties are discussed in the Company's filings with the Securities and Exchange Commission, including without limitation the Company's 2014 Annual Report on Form 10-K filed on February 13, 2015 with the SEC, under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors." Any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to update any forward-looking statements for any reason, including to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

**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, TEMPUR-Cloud, TEMPUR-Choice, TEMPUR-Weightless, TEMPUR-Contour, TEMPUR-Rhapsody, TEMPUR-Flex, GrandBed, TEMPUR-Simplicity, TEMPUR-Ergo, TEMPUR-UP, TEMPUR-Neck, TEMPUR-Symphony, TEMPUR-Comfort, TEMPUR-Traditional, TEMPUR-Home, Sealy, Sealy Posturepedic, Stearns & Foster, 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.*



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Mark Sarvary  
President & Chief Executive Officer

# Key Topics

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◆ Investment Highlights

◆ Industry Landscape

◆ Strategy

◆ Summary

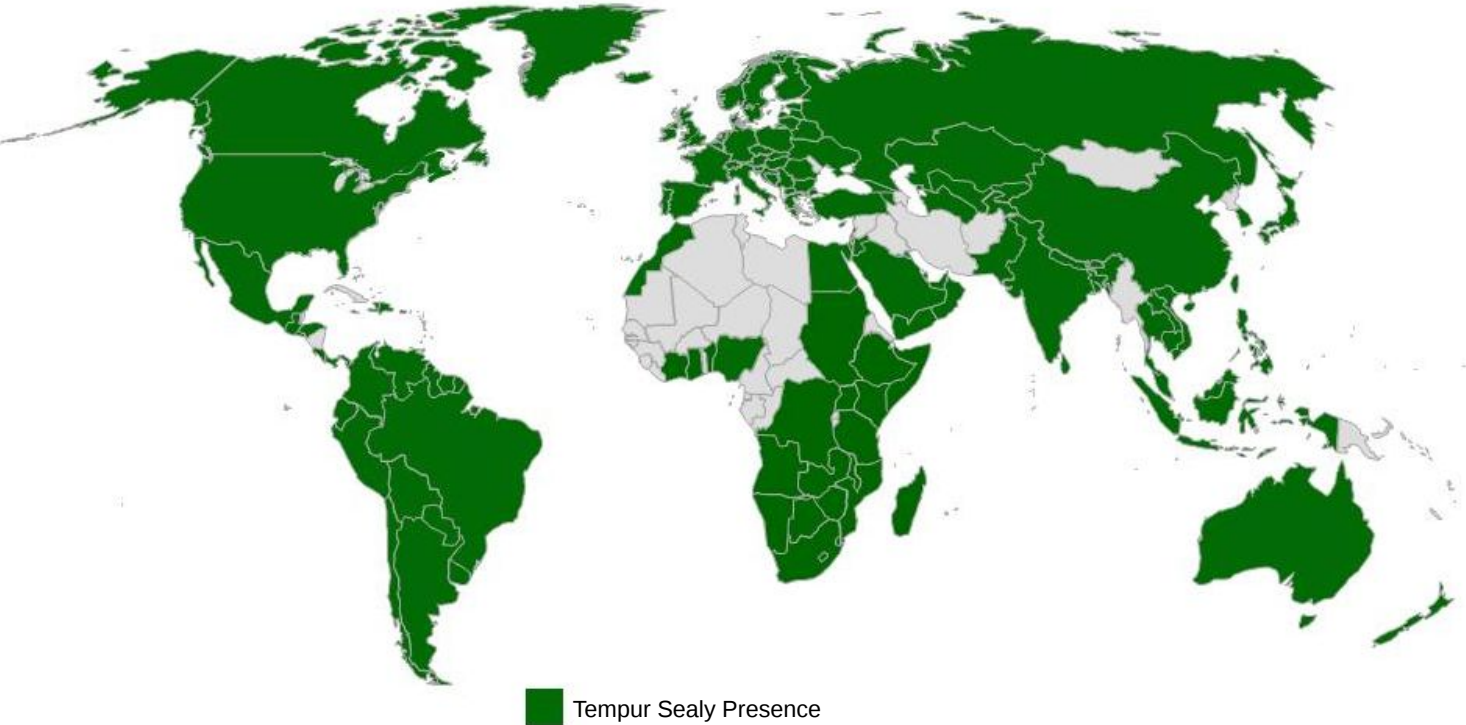
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# TEMPUR+SEALY

- ✓ Largest And Only Truly Global Bedding Company
- ✓ Comprehensive Portfolio of Iconic Brands
- ✓ Complete and Complementary Product Offering
- ✓ Strong Management Team, Executing A Compelling Strategy
- ✓ Significant Sales, Margin and Earnings Growth Opportunity
- ✓ Strong Cash Flow

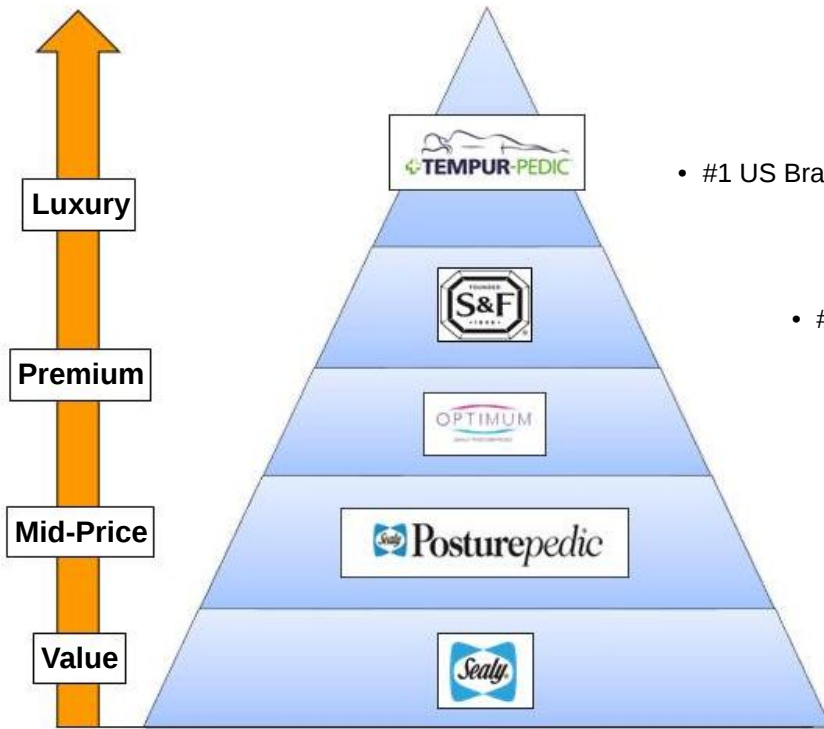


# The Industry's Only Truly Global Company



Note: Presence includes subsidiaries, joint ventures, third party, and licensee markets.

# Complete and Complementary Portfolio of Brands



## Tempur-Pedic

- #1 US Brand People Are Most Interested In Purchasing

## Stearns & Foster

- #1 US Brand In Luxury Innerspring Sales

## Sealy

- #1 US Brand In Total Awareness
- #1 US Brand People Are Most Likely To Buy

Note 1: 2014 Mattress Industry Consumer Research – U.S. Market

Note 2: Stearns & Foster #1 US Brand in Luxury Innerspring Sales based on management estimates.

# Complete Range Of Products

## Tempur Material



TEMPUR-Cloud



## Hybrid



TEMPUR-Flex



## Innerspring



Stearns & Foster



## Other Specialty



Memory Foam, Gel Visco, Latex



Adjustable Comfort



## Adjustable Bases



TEMPUR-Ergo Plus



## Pillows



TEMPUR Pillows



# Strong, Established Management Team

Name	Position	Prior Experience	Prior Experience		Years with Tempur Sealy
			Consumer Products	Inter'l	
Mark Sarvary	President and CEO	President, Campbell Soup North America CEO, J. Crew Group President, Stouffer's Frozen Food Division at Nestle	√	√	6
Tim Yaggi	COO	Group President, Masco Corporation EVP, Whirlpool Corporation Norelco (Philips)	√	√	2
Dale Williams	EVP and CFO	CFO, Honeywell Control Products CFO, Saga Systems CFO, GE Information Systems	√	√	11
Rick Anderson	EVP and President, North America	VP, Gillette Gillette / Procter & Gamble	√	√	8
David Montgomery	EVP and President, International	President, Rubbermaid Europe VP, Black & Decker Europe, Middle East, Africa	√	√	12
Jay Spenchian	EVP and Chief Marketing Officer	EVP and CMO, Olive Garden and Red Lobster Executive Director, Marketing, General Motors	√	√	Joined in 2014

*Experienced Management Team With Proven Track Record Of Execution*

# Tempur Sealy Strategic Priorities

**Leverage and Strengthen Our Comprehensive Portfolio Of Iconic Brands & Products**

**Expand Distribution And Seek Highest Dealer Advocacy**

**Expand Margins With Focus On Driving Significant Cost Improvement**

**Leverage Global Scale For Competitive Advantage**

**Accretive Acquisitions Of Licensees And Joint Ventures**

- **Base Annual Targets:**  
**Sales Growth Of 6% And Adjusted EPS Growth Of 15%**
- **Strong Cash Flow To Reduce Debt And Return Value to Stockholders**

***Delivering Value For Stockholders***

Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Targets are based on constant currency. For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.



- ◆ Grew Tempur-Pedic US net sales from \$525 million in 2009 to \$1.0 billion in 2014, a 14% CAGR
  - Increased US market share from 8% in 2009 to an estimated 13% in 2014
  - Introduced the highly successful TEMPUR-Cloud line, which doubled the Company's U.S. mattress business
- ◆ Grew Tempur International net sales from \$306 million in 2009 to \$472 million in 2014, a 9% CAGR
  - Increased distribution and brand awareness and expanded product offering significantly since 2009
  - Positioned the Company for future growth through acquisitions of Third Party Distributors in several key markets, including China, Korea, Brazil and Mexico
- ◆ Responded aggressively when the competitive environment in North America changed in 2012
  - Completely revamped Tempur North America mattress and adjustable base product offering
  - Strengthened US retailer economics
- ◆ Strategic acquisition of Sealy Corporation created significant stockholder value
  - TPX shares have appreciated over 100% from the day prior to the acquisition announcement
  - Today, Tempur Sealy has a complete and complementary brand and product portfolio, with unique global capabilities and unmatched growth opportunities around the world
- ◆ Enhanced stockholder value through the repurchase of 20 million shares between 2009 and 2012
- ◆ EPS of \$1.12 in 2009 grew to adjusted EPS of \$2.65 in 2014, a 19% CAGR

Note 1: US market share is based on management estimates.

Note 2: 2009 EPS of \$1.12 had no items of the type excluded in adjustments to determine the Company's adjusted EPS.

Note 3: TPX share price on September 26, 2012 was \$26.78.

Note 4: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.

# Focused On Execution

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## Financial Results

- ❑ 2014 Net Sales increased 21% (estimated net sales growth would have been +8% had we owned Sealy for all of 2013)
- ❑ 2014 Adjusted EPS increased 11% (constant currency +18%)
- ❑ 2014 Operating Cash Flow was \$225 million vs. \$98 million in 2013
- ❑ 2014 Reduced debt \$234 million, consistent with deleveraging strategy after Sealy acquisition

## Operational Achievements

- ◆ Returned Tempur North America to a position of strength and growth in 2014
- ◆ Organizational integration with Sealy essentially complete in North America
- ◆ Acquired strategic growth platforms and divested non-core assets
- ◆ Initiated major cost reduction projects related to Sealy in late 2014

*Actions Have Positioned Us For Enhanced Future  
Growth And Margin Improvement*

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Note 1: Estimated net sales growth of 8% for 2014 is based on Tempur Sealy International consolidated net sales for 2013 plus management's estimates for Sealy sales for the period of January 1, 2013 to March 17, 2013. The Sealy acquisition was completed on March 18, 2013.

Note 2: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS. GAAP EPS for 2014 was \$1.75.

Note 3: For information on the methodology used to present constant currency information please refer to slide 167.

# Annual Base Growth Targets 2015-2018

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<b>SALES GROWTH</b>	<b>6%</b>
<b>OPERATING MARGIN IMPROVEMENT</b>	<b>50bps</b>
<b>DELEVERAGING TO 3X AND RETURN VALUE TO SHAREHOLDERS</b>	
<b>ADJUSTED EPS GROWTH</b>	<b>15%</b>

*Targets are based on Constant Currency*

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Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Targets are based on constant currency, excluding the impact from foreign exchange. For information on the methodology used to present constant currency information please refer to slide 167.

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# Internal Target: 100bps Annual Operating Margin Improvement

<u>Initiative</u>	<u>2014</u>	<u>2015 -2018 Objective</u>	<u>Annual Incremental Operating Income<sup>1</sup></u>
Sealy US Gross Margin Improvement <sup>2</sup>	30%	33%	\$45 million
Adjusted Operating Expense Leverage <sup>3</sup>	29%	28%	\$30 million
Cost Synergies <sup>4</sup>	\$45 million	\$70 million	\$25 million
2015 Pricing	-	\$25 million	\$25 million
			<b>\$125 million</b>

*These Initiatives Alone Provide More Than 300bps Of Operating Margin Improvement*

Note 1: Represents initiatives to be achieved by 2018. Our expectation is that they will ramp through the period. Approximately 30% of the total \$125 million is incorporated into our full year 2015 adjusted EPS guidance. See "Forward Looking Statements".

Note 2: Refers to Sealy gross margin in the U.S. of 30% in 2014. Sealy US gross margin improvement excludes the benefit from cost synergies.

Note 3: Adjusted operating expense leverage is a non-GAAP measure. For information on the methodology used to present adjusted operating expense leverage and a reconciliation to GAAP operating expense leverage please refer to slide 164.

Note 4: Cost synergies reflect annualized cost synergies realized from the Sealy transaction.

# 2015 Guidance Consistent With Targets

	<u>Guidance Range</u> <sup>1</sup>	<u>FX Adjusted</u> <sup>1,2</sup>	<u>Guidance Mid-Point FX Adjusted</u> <sup>1,2</sup>
Net Sales Growth	2% to 5%	5.5% to 8.5%	7.0%
Adjusted Operating Margin <sup>3</sup> Growth	~10 to 80bps	~80 to 150bps	~115bps
Adjusted EPS Growth	2% to 17%	12% to 27%	20%

Note 1: The Company issued guidance on February 5, 2015 for full year 2015 Net Sales of \$3.050 billion to \$3.150 billion and Adjusted EPS of \$2.70 to \$3.10.

Note 2: For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted operating margin is a non-GAAP measure. For information on the methodology used to present adjusted operating margin please refer to slide 165.

Note 4: Management estimates. Please refer to "Forward Looking Statements".

# Key Topics

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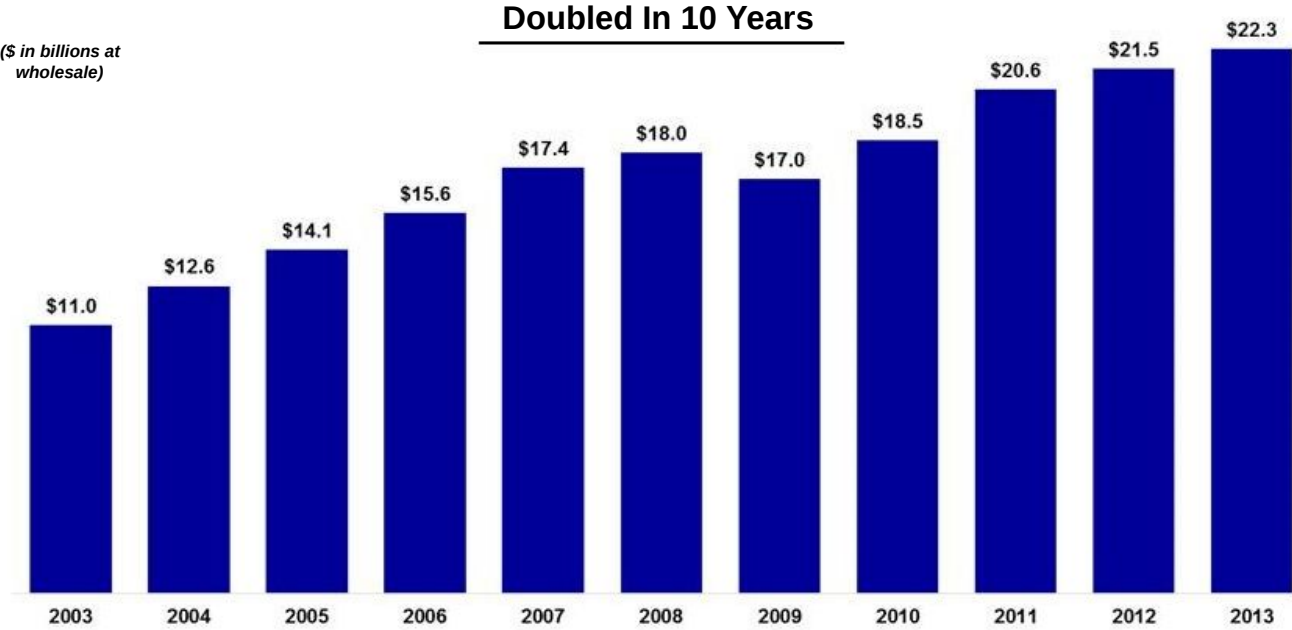
◆ Investment Highlights

◆ Industry Landscape

◆ Strategy

◆ Summary

# Global Mattress Industry Is Large And Growing



Note: CSIL World Mattress Report, 2014 (Top 35 Markets Mattress Consumption)

# Industry Evolving, Particularly In US

	<u>Examples</u>	<u>Source of Tempur Sealy Advantage</u>
US Manufacturer Consolidation	 Serta Simmons	<ul style="list-style-type: none"><li>• Leader of the consolidation</li><li>• Strong complementary brands</li></ul>
US Bedding Specialty Stores Consolidation		<ul style="list-style-type: none"><li>• Very strong, strategic relationship</li></ul>
New Channels	 	<ul style="list-style-type: none"><li>• Single sales force</li><li>• Direct sales expertise</li></ul>
Technological Innovations		<ul style="list-style-type: none"><li>• Industry leading investment and expertise at product development</li></ul>

*Tempur Sealy Is Well-Positioned To Capitalize On The Industry Evolution*



# Key Topics

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◆ Investment Highlights

◆ Industry Landscape

◆ Strategy

◆ Summary

# Clear Strategic Priorities

**Leverage and Strengthen Our Comprehensive Portfolio Of Iconic Brands & Products**

**Expand Distribution And Seek Highest Dealer Advocacy**

**Expand Margins With Focus On Driving Significant Cost Improvement**

**Leverage Global Scale For Competitive Advantage**

**Accretive Acquisitions Of Licensees And Joint Ventures**

- **Base Annual Targets:  
Sales Growth Of 6% And Adjusted  
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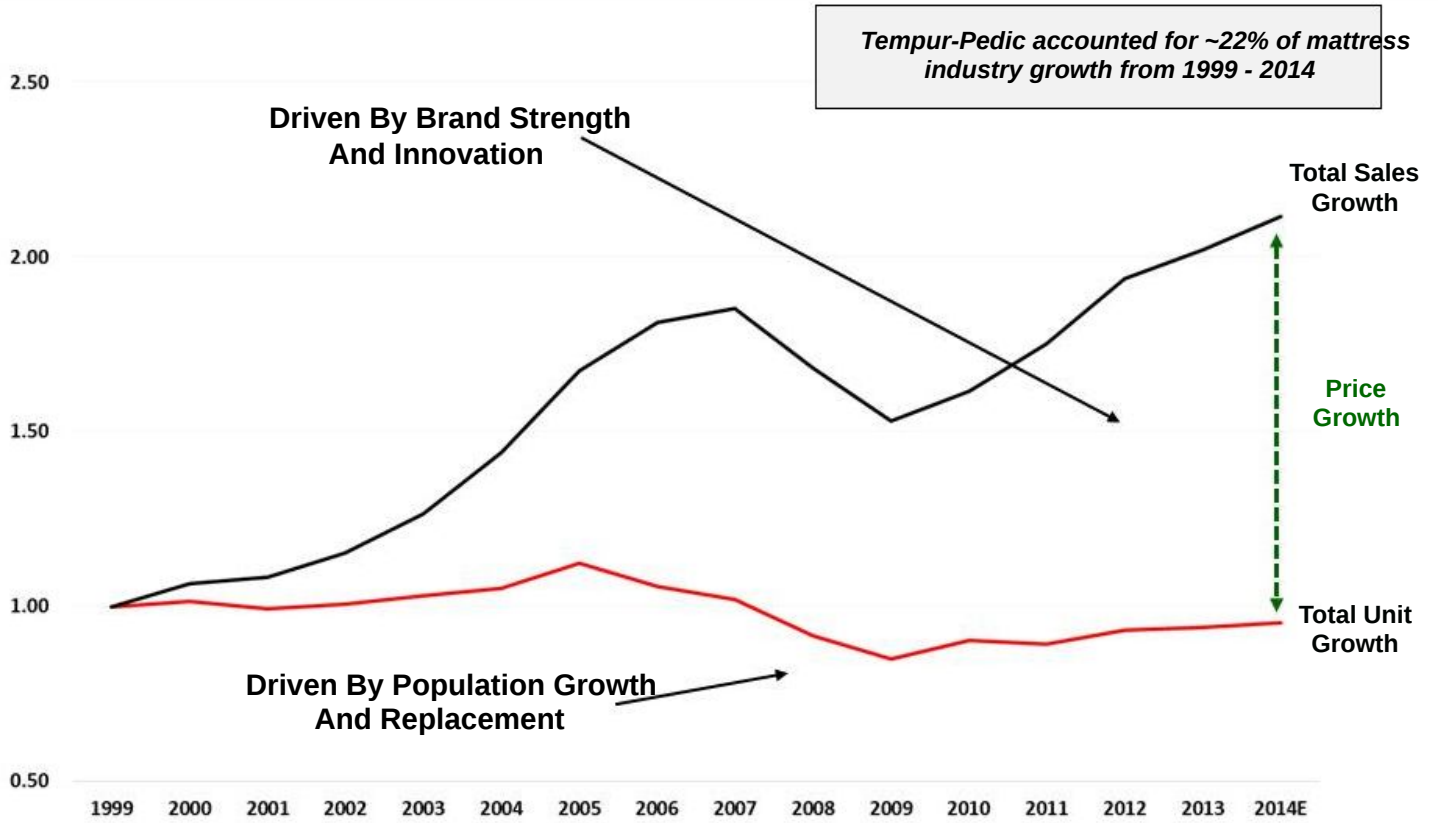
***Delivering Value For Stockholders***

Note 1: Management estimates. Please refer to "Forward Looking Statements".

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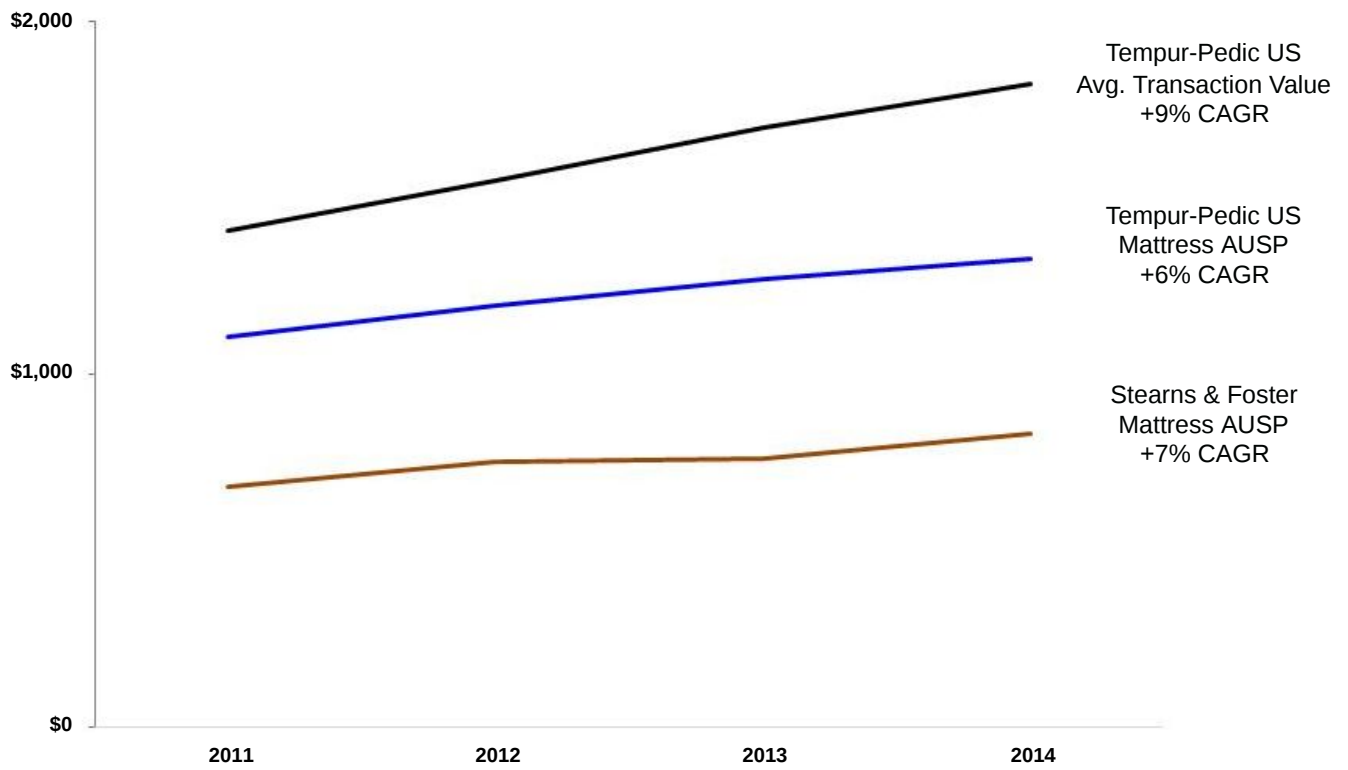
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# Drivers Of Mattress Industry Growth



Note 1: Mattress industry growth information is based on ISPA 2013 Mattress Industry Report of Sales & Trends. 2014 is based on management estimates.  
 Note 2: Information for Tempur-Pedic share of industry growth is based on management estimates.

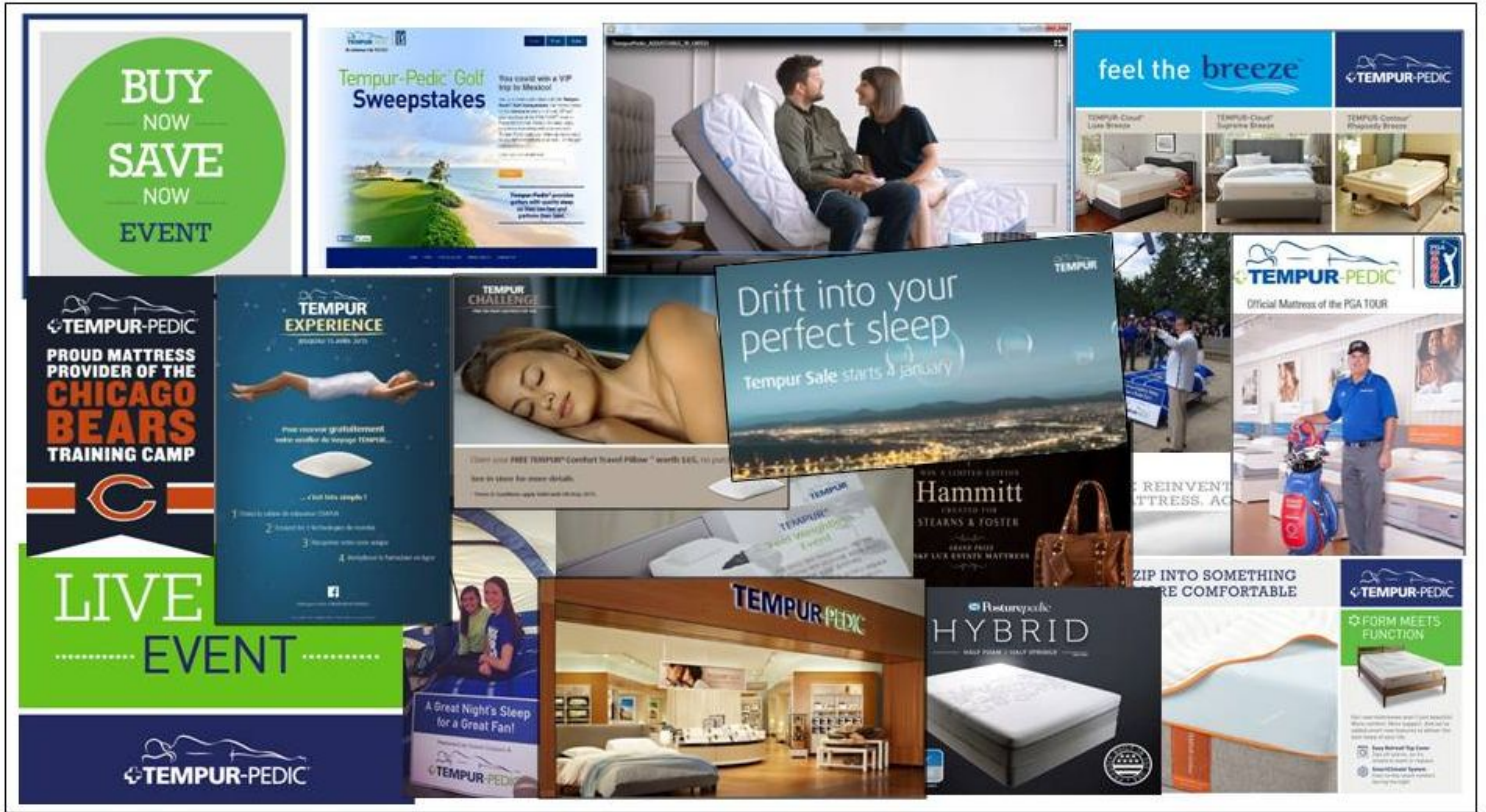
# We Are Committed To Driving Retail AUSPs Higher



Note: All numbers are based on wholesale price growth. Transaction value is defined as "Bedding sales", which includes mattresses and foundations, divided by mattress unit shipments.

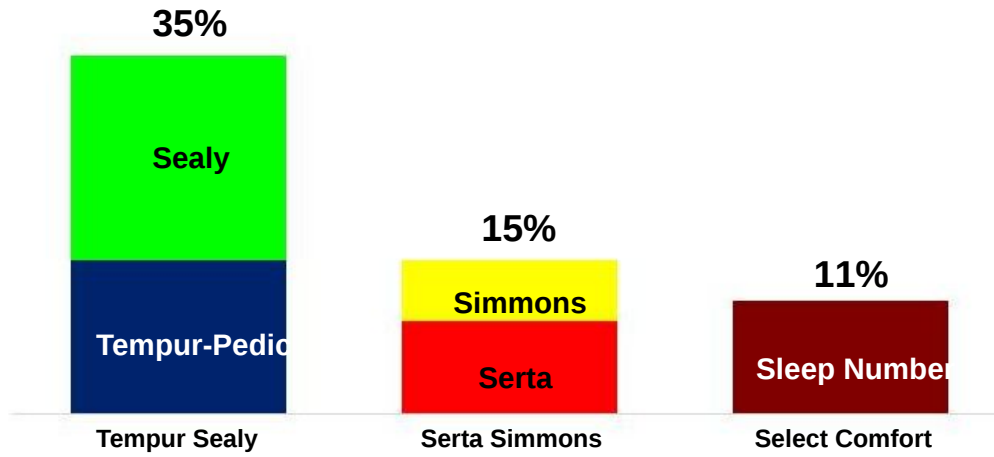
# Industry Leading Investment In Breakthrough Marketing

◆ Tempur Sealy Invested Over \$500 million In Global Marketing in 2014



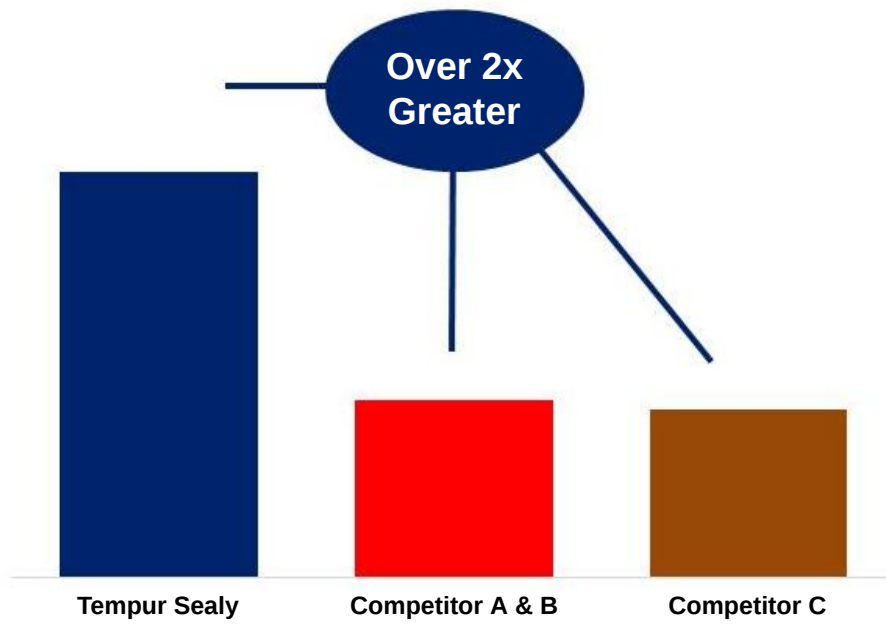
# U.S. Consumers Are Most Likely To Buy Our Brands

## Brands Most Likely To Buy – Prospective US Buyers



# Our Investment In Product Innovation Exceeds Our Competitors

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Note 1: Reflects R&D spend in 2014.

Note 2: Competitor information is based on management estimates.

# Last Year's Innovative New Products Were A Major Success

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- ◆ Execution of a record number of product introductions in 2014
- ◆ Delivered compelling consumer benefits
- ◆ Drove US market share increases





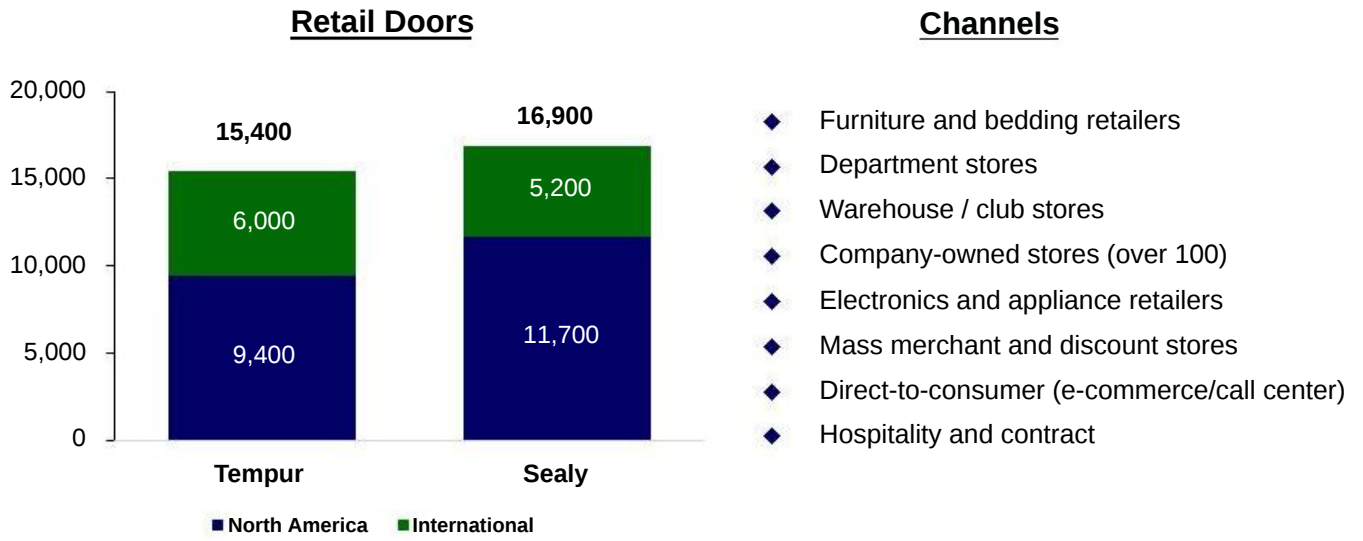
# Investing To Drive Additional Growth In 2015 And Beyond

- ◆ We believe TEMPUR-Flex expands consumer appeal and can drive incremental sales above \$2,000
- ◆ New Posturepedic offering will have expanded placement
- ◆ Robust future pipeline



Note: Tempur-Flex products are priced at queen set retail price points above \$2,000.

# Broad Distribution In Traditional And Alternative Channels

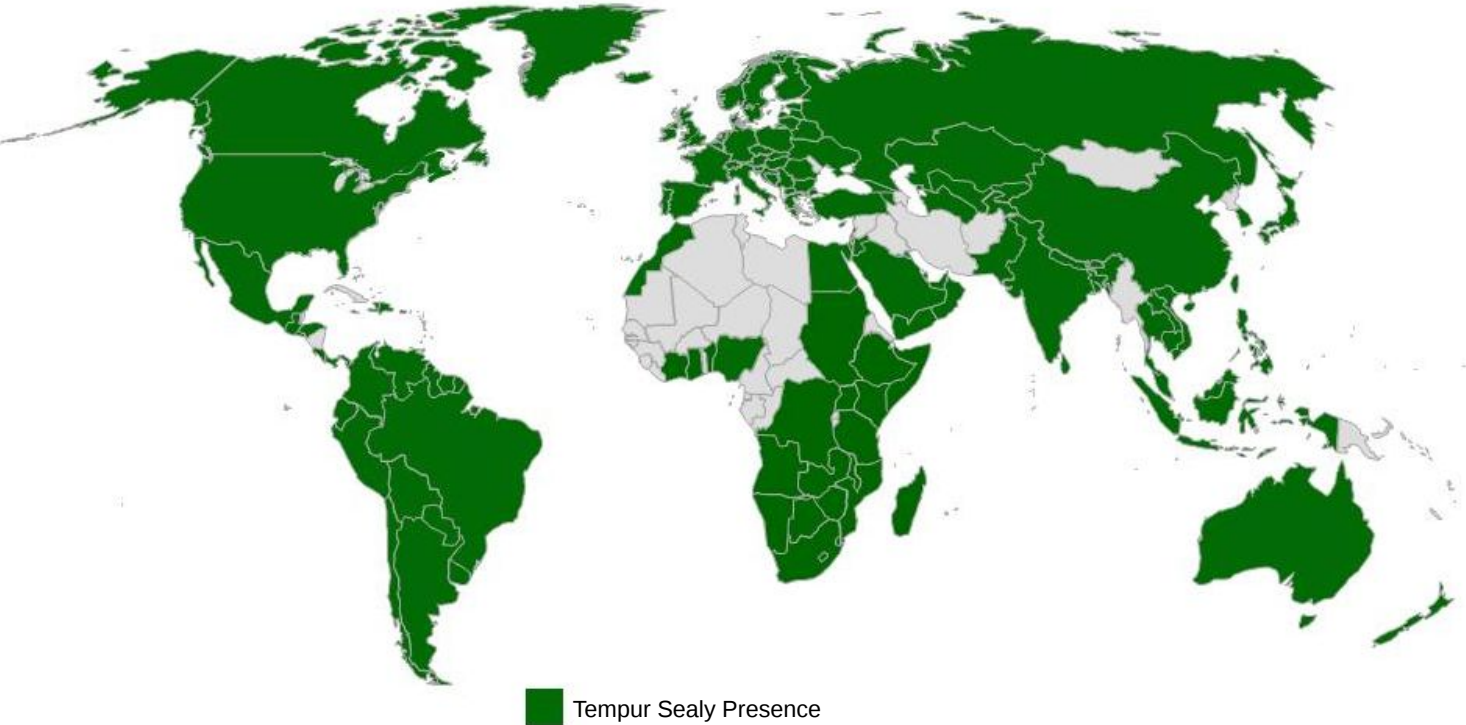


# Striving For Highest Dealer Advocacy

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# The Industry's Only Truly Global Company



Note: Presence includes subsidiaries, joint ventures, third party, and licensee markets.

# Tempur Sealy Has A Significant Market Share Opportunity

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US and Canada

Latin America

Europe

Asia Pacific



■ Market Leader ■ Top 5 Market Position ■ Underpenetrated

# Capitalizing On Opportunity Different By Geography

	Product Innovation	Marketing	Leveraging Distribution Synergies	Opening Own Stores	Leverage JV
US	✓✓✓	✓✓✓	✓✓	☐✓	✓ (CR)
Canada	✓✓✓	✓✓✓	✓✓✓		
Europe	✓✓	✓✓	✓✓✓	✓✓	
Asia Pacific	✓✓	✓	✓✓	✓✓✓	✓✓✓
Latin America	✓✓	✓	✓	✓✓	

# Global Scale And Capabilities Provides A Distinct Competitive Advantage

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## Product Development



- Procurement
- R&D
- Engineering and design

## Distribution



- Cloud and Breeze Beds
- Stearns & Foster
- Posturepedic Hybrid

## Brand




*Tempur Sealy Is Uniquely Positioned To Capitalize On Its Integrated Product And Brand Portfolio On A Global Basis*


# Licensees and Third Party Distributors

- ◆ Since 2006 we have acquired brand rights and distributors or distribution rights in several markets



Existing Licensee & 3<sup>rd</sup> Party Distributor Markets

	Australia	Honduras	Paraguay	United Kingdom
	Brazil	Israel	Saudi Arabia	Venezuela
	Colombia	Jamaica	South Africa	
	Dominican Republic	New Jersey	Thailand	


 More than 65 Tempur 3<sup>rd</sup> Party Distributors

Note: In certain markets where we have licensees there is no current option to purchase and thus if we wanted to make an acquisition we would need to negotiate.





- ◆ Own 50% with option to purchase remaining 50% in 2020
- ◆ JV Partner is Sealy of Australia, a Sealy brand Licensee
- ◆ ~\$100 million in annual 2014 sales, with 25%+ CAGR since 2009
- ◆ Accretive operating margin profile

## Asia JV Markets

China  
Hong Kong  
India  
S. Korea  
Taiwan  
Malaysia  
Singapore  
Indonesia  
New Zealand



Sealy China

Note 1: Sales and operating margin figures for Asia JV is based on 2014 sales.  
Note 2: CAGR calculation based on historical results for 2009-2014 period.

- ◆ Own 45% with option to purchase remaining 55% in 2017
- ◆ JV Partner is industry pioneer and founder of Sleep Innovations



# Key Topics

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- ◆ Investment Highlights
- ◆ Industry Landscape
- ◆ Strategy
- ◆ Summary

# Tempur Sealy Strategic Priorities

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**Expand Distribution And Seek Highest Dealer Advocacy**

**Expand Margins With Focus On Driving Significant Cost Improvement**

**Leverage Global Scale For Competitive Advantage**

**Accretive Acquisitions Of Licensees And Joint Ventures**

- **Base Annual Targets: Sales Growth Of 6% And Adjusted EPS Growth Of 15%**
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***Delivering Value For Stockholders***

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# Annual Base Growth Targets 2015-2018

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SALES GROWTH	6%
OPERATING MARGIN IMPROVEMENT	50bps
DELEVERAGING TO 3X AND RETURN VALUE TO SHAREHOLDERS	
ADJUSTED EPS GROWTH	15%

**Internal Target: 100bps Annual Operating Margin Improvement**

***Targets are based on Constant Currency***

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Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Targets are based on constant currency, excluding the impact from foreign exchange. For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.

# Committed, Capable People With Strong Shared Values

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Tim Yaggi  
Chief Operating Officer

# North America Key Topics

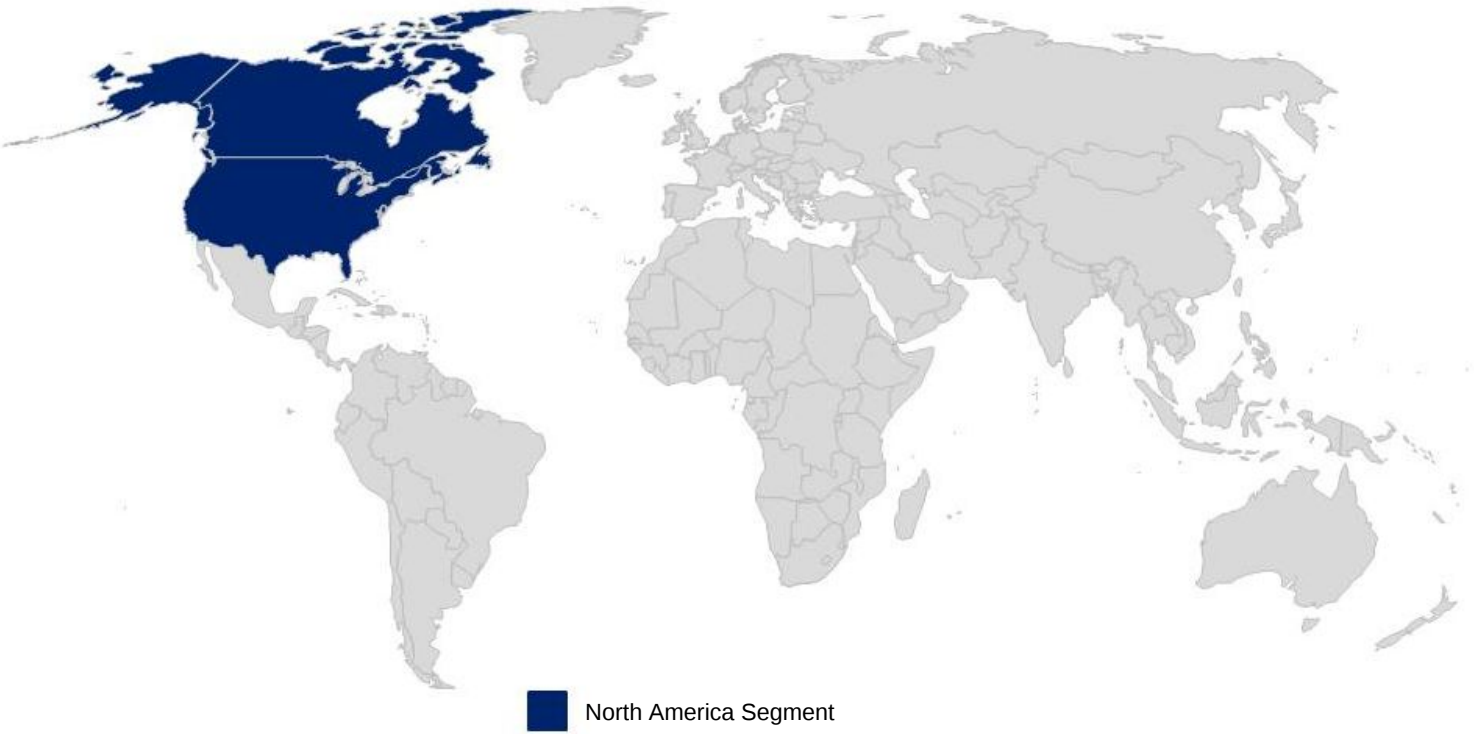
---

- ◆ Overview
- ◆ Industry Update
- ◆ 2014 Review
- ◆ Growth Initiatives
- ◆ Profitability Focus
- ◆ Summary



North America – A \$2.4 Billion Segment

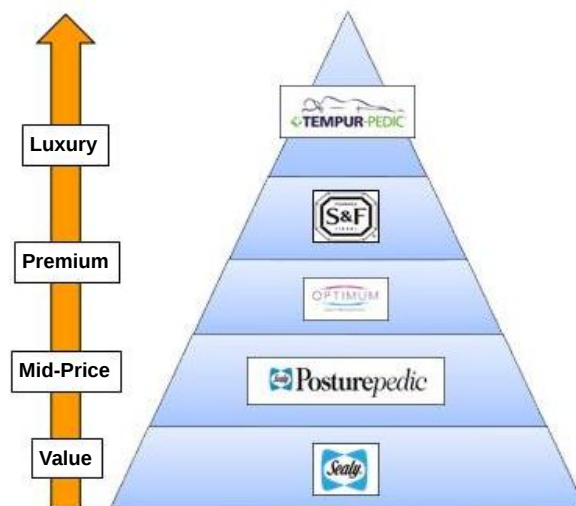
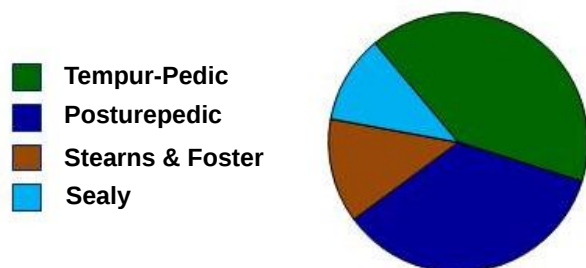
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# Tempur Sealy North America

- ◆ Comprehensive portfolio of iconic brands
- ◆ Complete and complementary product offering
- ◆ Address every key consumer preference – price point and technology
- ◆ Broadly distributed across all key channels – sold in well over 10,000 doors

**2014 Sales by Brand**



# Best Brands With Distinct Roles And Messaging

---



The Best Sleep

There's only one Tempur-Pedic that precisely adapts, supports and aligns like TEMPUR



Finest materials **AND** superior craftsmanship.



Unsurpassed Back Support



Trusted comfort **AND** durability **AND** value.

# Complete Range Of Mattress Technologies – TEMPUR Material

---



 **TEMPUR-Cloud®**  
COLLECTION



 **TEMPUR-Contour™**  
COLLECTION

# Complete Range Of Mattress Technologies – Hybrid

---



 **TEMPUR-Flex**  
COLLECTION



 **Posturepedic**



  
STEARNS & FOSTER®

# Complete Range Of Mattress Technologies – Innerspring

---





Memory Foam and Gel Visco



Adjustable Comfort



Latex



# Complete Range Of Adjustable Bases – Tempur-Pedic

---



**TEMPUR-UP**



**TEMPUR-Ergo Plus**



**TEMPUR-Ergo Premier**





# Complete Range Of Pillows And Comfort Products



# North America Key Topics

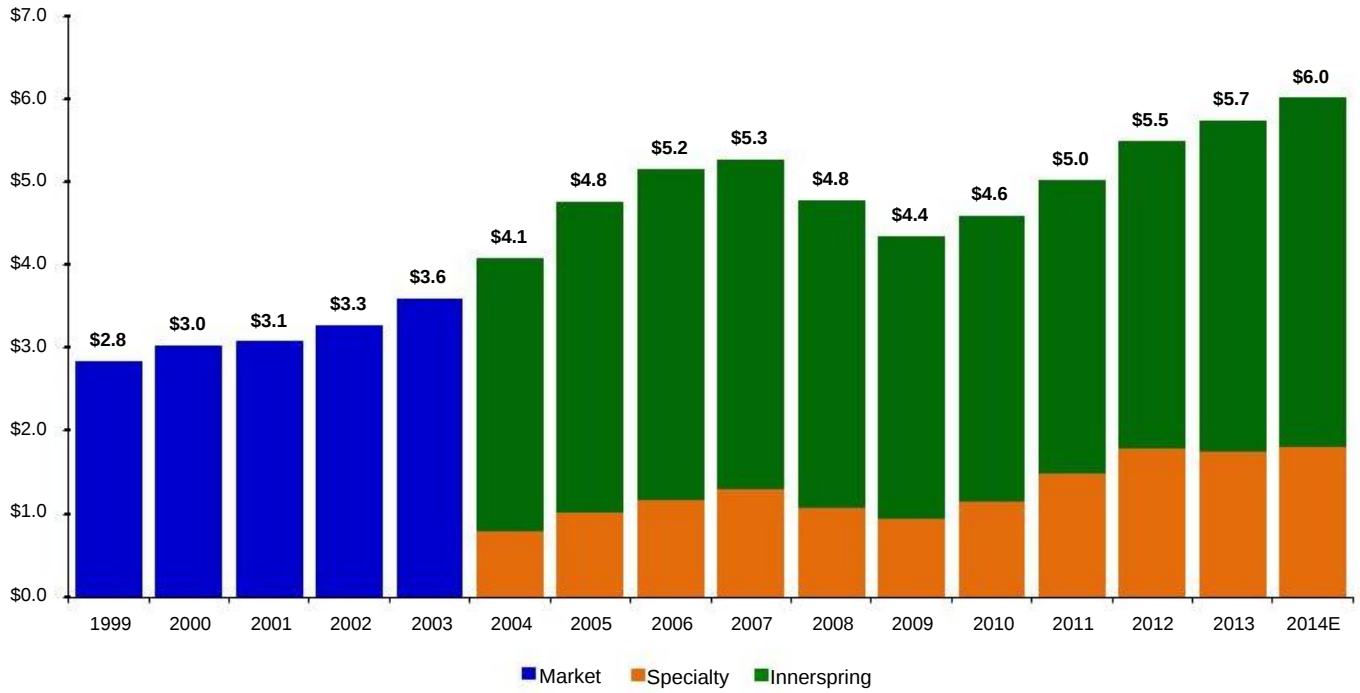
---

- ◆ Overview
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# US Mattress Industry Sales At Record Level

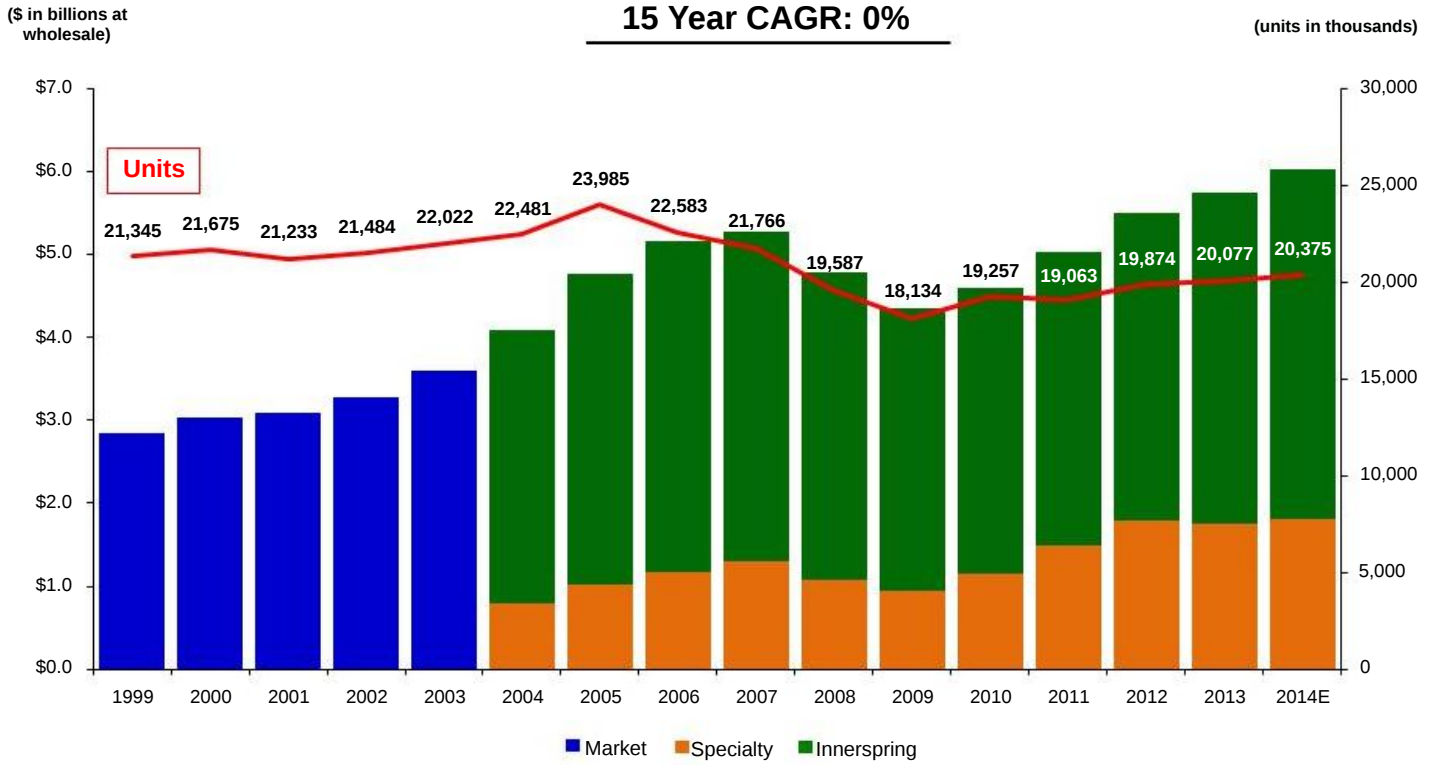
(\$ in billions at wholesale)

**15 Year CAGR: +5%**



Note: Based on ISPA 2013 Mattress Industry Report of Sales & Trends, with ISPA revised representative sample for 2006 and 2011. Specialty data not available prior to 2004. 2014 is based on management estimates.

# US Mattress Industry Units Well Below Prior Peak

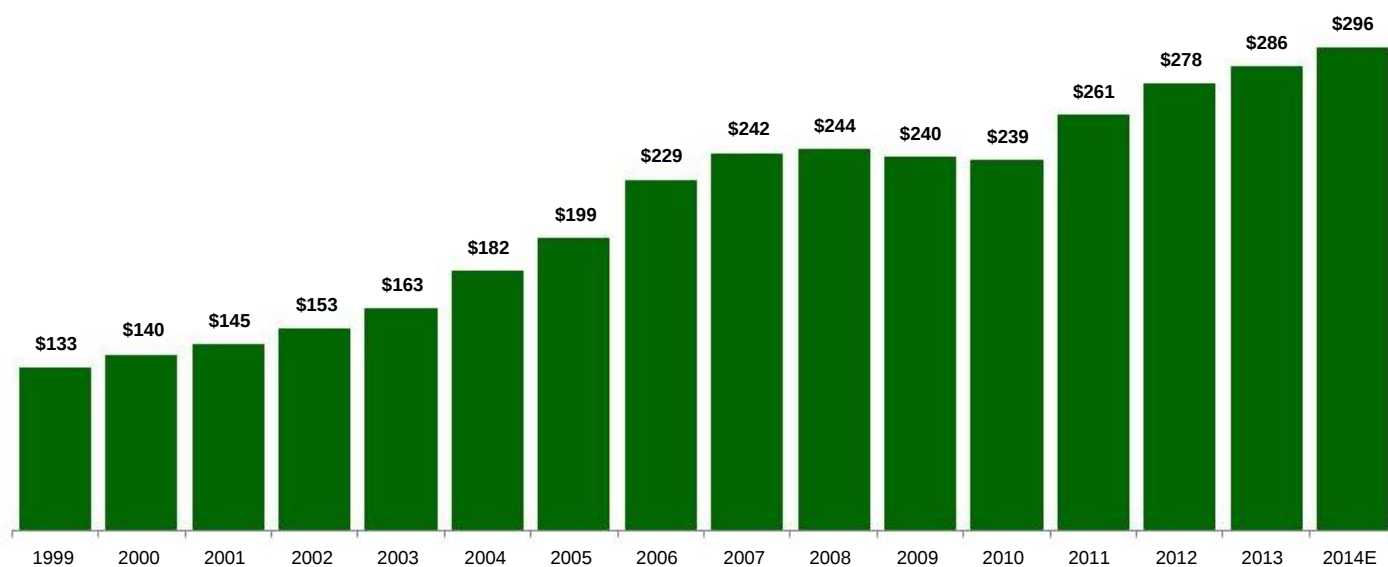


Note: Based on ISPA 2013 Mattress Industry Report of Sales & Trends, with ISPA revised representative sample for 2006 and 2011. Specialty data not available prior to 2004. 2014 is based on management estimates.

# Growth Mostly Driven By Higher Mattress Prices

(\$ at wholesale)

**15 Year CAGR: +5%**



Note: Based on ISPA 2013 Mattress Industry Report of Sales & Trends, with ISPA revised representative sample for 2006 and 2011. 2014 is based on management estimates.

# Tempur Sealy Is A Key Driver Of Industry A USP

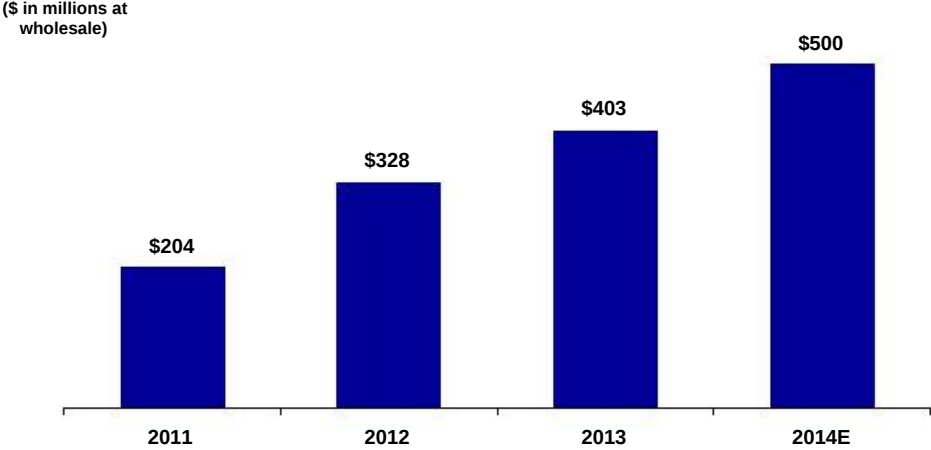


Note 1: Based on gross wholesale mattress AUSP.  
Note 2: Information for competitors is based on management estimates and ISPA data.

# US Industry Adjustable Base Sales Have More Than Doubled

*Tempur-Pedic is the market share leader and has accounted for ~33% of adjustable base industry sales growth from 2011 - 2014*

## US Industry Adjustable Base Shipments



Note 1: Adjustable base shipment data is based on ISPA 2013 Mattress Industry Report of Sales & Trends. 2014 is based on management estimates.

Note 2: Information for Tempur-Pedic share of adjustable base industry growth is based on management estimates.

# North America Key Topics

---

- ◆ Overview
- ◆ Industry Update
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- ◆ Summary



# Built Capabilities in 2014

---

## ◆ Product Development:

- Launch execution
- Global innovation pipeline

## ◆ Brand Marketing:

- New talent and enhanced capabilities, strong media campaign
- Strong creative development and media buying

## ◆ Channel:

- Combined field selling organization
- Category management

## ◆ Operations:

- Began the combination of our TS logistics network
- Started the transformation of Sealy manufacturing organization

# 2014 Product Launch Capability

---

- ◆ Record number of launches
  - All delivered on time with high quality
  - Supporting materials on time
  - Transitions from old to new were well managed
- ◆ Contained compelling consumer benefits
  - Supported with rigorous market research
  - Offered strong value propositions
  - Delivered benefits aligned with the brand promises

*Demonstrated Capability To Develop And Execute Major Product Launches That Drive Market Share*

# 2014 Product Launch Results

---

- ◆ Tempur Cloud/Contour launch was largest ever and very effective



- ◆ Stearns & Foster launch delivered all-time sales record



- ◆ Sealy Innerspring launch returned brand to double-digit growth



- ◆ Sealy Optimum 2.0 line revitalized



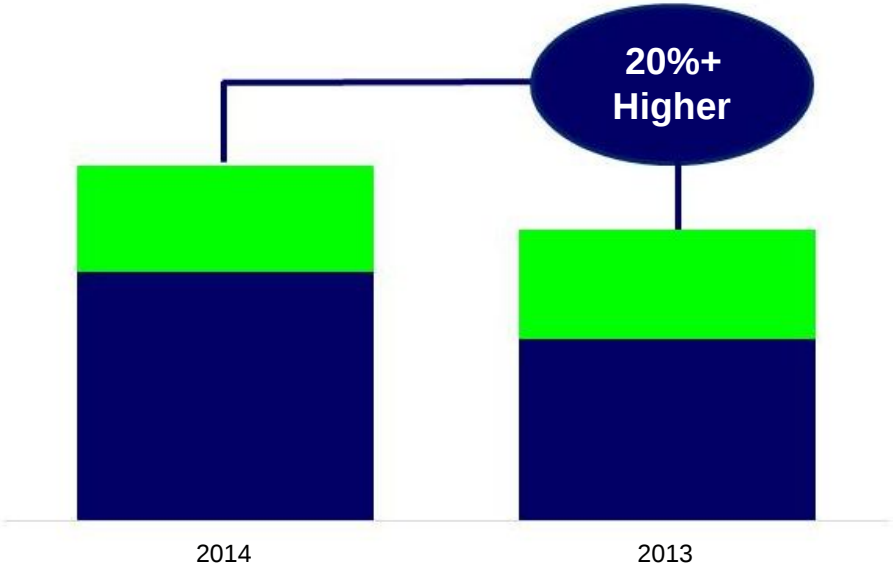
# Solid Growth From Other Key Products

- ◆ Dramatic growth in adjustable bases with attach rates exceeding 50%
- ◆ Continued success of Breeze and Posturepedic



*Achieved Growth Across The Portfolio*

Tempur Sealy TRPs In 2014



Source: Kantar media data from January – September, 2014. TRPs are target rating points and are a measure of reach for a specifically targeted audience.

# Effective National TV Ad Campaigns

---



*New Creative Tested Extremely Well With Our Target Audience*

# Strong Results From Marketing Investments



**Target Rating Points**  
**>+20%**

**Adjustable Base**  
**Sales +32%**

**Website Visits**  
**+24%**

**Retail Locator Visits**  
**+62%**



Note: Data reflects 2014 versus 2013.

# North America Key Topics

---

- ◆ Overview
- ◆ Industry Update
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- ◆ Summary



Responsive support that moves with you, with the personalized comfort of TEMPUR



• Prima  
(\$2,299)



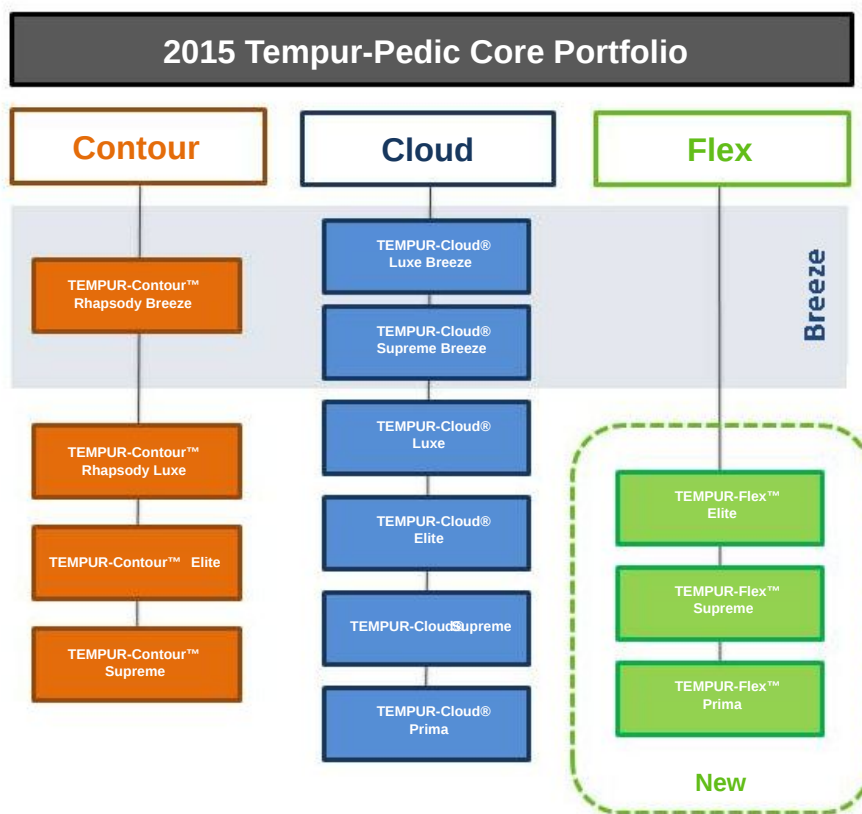
• Supreme  
(\$2,899)



• Elite  
(\$3,499)

Note: Retail list price point for queen set.

# Extends Tempur-Pedic Brand Appeal and Addressable Opportunity



# Supported With In-Store Marketing Investment



# Rededicating Posturepedic Brand To Its Heritage Of Unsurpassed Back Support

---

For **65** YEARS Posturepedic has stood for...

Real support **AND** real innovation.



**1950:** The Original Posturepedic Mattress





TRADITIONAL experience ← → HYBRID experience



POSTUREPEDIC  
(\$699-\$999)



POSTUREPEDIC PLUS  
(\$999-\$1,399)



POSTUREPEDIC PREMIER HYBRID  
(\$1,299-\$1,999)

*Improved Aesthetics And Core Support Center In Every Model*

Note: Retail list price point for queen set.

# Showcased In New Sealy Showroom



# New Stearns & Foster Limited Edition Collection



THE **NEW** LIMITED EDITION COLLECTION



**Better Materials**

**Better Craftsmanship**

**Better Design**

*Priced at \$1,799-\$1,999*

Note: Retail list price point for queen set.

# Enhancing Stearns & Foster Brand Message





# New Tempur-Pedic Pillows

---

Late 2014



*TEMPUR-Cloud Pillows*

2015



New Tempur-Pedic Pillows

## MOBILE



## DIRECT MAIL



## WEBSITE



## PRINT



*We Remain Committed To Investing In Our Brands*

# Partnering With Retailers To Leverage Ad Spend

- ◆ Proactively working with customers to leverage our collective efforts
  - Joint creative and media buying opportunities
  - Best in class In-store execution



# Effective Key National Holiday Promotions



**BUY NOW SAVE NOW EVENT**

**SAVE UP TO \$200**  
on select Tempur-Pedic®  
Mattress Sets\*  
Purchased before March 3, 2015

**TEMPUR-PEDIC**

\*See store for details. ©2015 Tempur-Pedic Management, LLC. All rights reserved.



**S&F**  
STEARNS & FOSTER®  
ALWAYS DREAM®

**SAVE UP TO \$300 INSTANTLY**  
ON SELECT STEARNS & FOSTER MATTRESS SETS\*



\*Offer valid in-store January 28 - March 1, 2015 at participating retailers only. Some limitations apply. See store for availability and details. ©Copyright Sealy Corp. 2015.



**Posturepedic**  
**HYBRID**  
HALF FOAM | HALF SPRINGS



**SAVE UP TO \$200**  
ON SELECT SEALY POSTUREPEDIC® HYBRID MATTRESS SETS\*

\*Offer valid in-store January 28 - March 1, 2015 at participating retailers only. Savings taken at time of purchase. Some limitations apply. See store for availability and details. ©Copyright Sealy Corp. 2015.



**OPTIMUM**  
SEALY OPTIMUM™



**SAVE UP TO \$200\***  
ON SELECT OPTIMUM™ MATTRESS SETS

\*Offer valid in-store January 28 - March 1, 2015 at participating retailers only. Savings taken at time of purchase. Some limitations apply. See store for availability and details. ©Copyright Sealy Corp. 2015.

# North America Key Topics

---

- ◆ Overview
- ◆ Industry Update
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# Significant Margin Improvement Opportunities

<u>Initiative</u>	<u>2014</u>	<u>2015 -2018 Objective</u>	<u>Annual Incremental Operating Income<sup>1</sup></u>
Sealy US Gross Margin Improvement <sup>2</sup>	30%	33%	\$45 million
Adjusted Operating Expense Leverage <sup>3</sup>	29%	28%	\$30 million
Cost Synergies <sup>4</sup>	\$45 million	\$70 million	\$25 million
2015 Pricing	–	\$25 million	\$25 million
			<b>\$125 million</b>

*These Initiatives Alone Provide More Than 300bps Of Operating Margin Improvement*

Note 1: Represents initiatives to be achieved by 2018. Our expectation is that they will ramp through the period. Approximately 30% of the total \$125 million is incorporated into our full year 2015 adjusted EPS guidance. See "Forward Looking Statements".

Note 2: Refers to Sealy gross margin in the U.S. of 30% in 2014. Sealy US gross margin improvement excludes the benefit from cost synergies.

Note 3: Adjusted operating expense leverage is a non-GAAP measure. For information on the methodology used to present adjusted operating expense leverage and a reconciliation of operating expense leverage please refer to slide 164.

Note 4: Cost synergies reflect annualized cost synergies realized from the Sealy transaction.

# Sealy Assembly Transformation

## ◆ Key Initiatives Within The Plants

- Standardize best practices
- Embed lean principles and eliminate waste
- Improve hiring and staffing
- Smooth production, reduce overtime
- Elevate focus on quality and customer satisfaction, lower returns



## ◆ Key Initiatives Across The Network

- Improve forecasting and demand planning
- Reduce SKU complexity
- Optimize combined TSI network

*Drive Total Cost Reduction*

# Warehouse/Distribution Network Initiatives

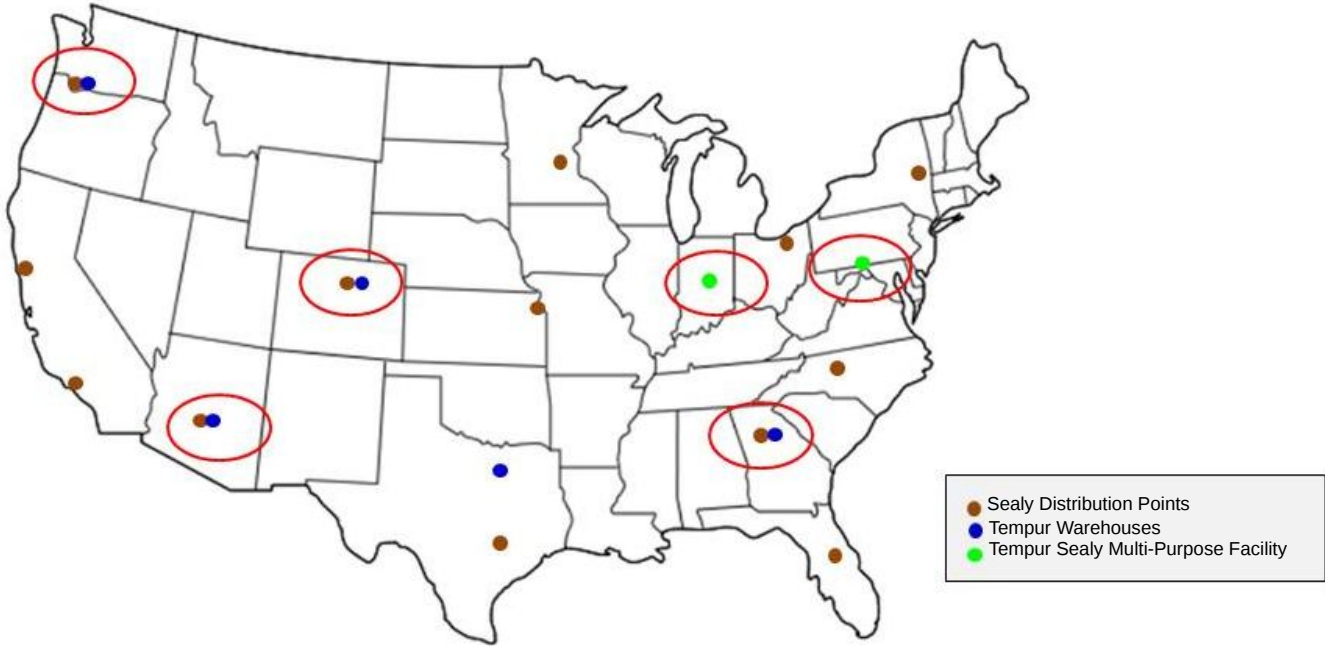
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<b>Warehouse/Distribution Network Initiatives</b>	<b>Timing</b>
Consolidated Sealy Ft. Worth, TX facility into Brenham, TX facility	2014
Announced closure of Sealy Batavia, IL facility	2015
Opening Tempur Sealy multi-purpose facility in Plainfield, IN (Indianapolis)	2Q 2015
Opening Tempur Sealy multi-purpose facility in Williamsport, MD	2015
Repositioning Tempur warehouses	2014/2015



# Optimizing Warehouse/Distribution Network (2015)

◆ Distribution network to service national retailers with considerable efficiency opportunities







# Capitalize On Tempur-Pedic's Brand Strength

---

- ◆ Price increase on Tempur-Pedic adjustable bases (select) in late 2014
- ◆ Price increase on Tempur-Pedic mattresses (select) in March 2015

*Low Single-Digit Pricing Actions Drive \$25 Million Of  
Margin Improvement*

# North America Key Topics

---

- ◆ Overview
- ◆ Industry Update
- ◆ 2014 Review
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- ◆ Profitability Focus
- ◆ Summary

# North America Summary

---

- ◆ Tempur Sealy Has A Complete And Complementary Portfolio Of Brands And Products
- ◆ We Expect Strong Market Share Gains In 2014 To Continue
- ◆ Growth From New Products, Effective Marketing And Channel Synergies
  - ◆ Robust Product Pipeline
  - ◆ Commitment To Strengthening Brands
  - ◆ Effective Trade Customer Support
- ◆ Focused On Improving Profitability
  - ◆ Driving Pricing And Mix
  - ◆ Capturing Synergies
  - ◆ Operating Cost Productivity

*Well Positioned To Continue To Gain Market Share  
And Drive Margin Improvement*

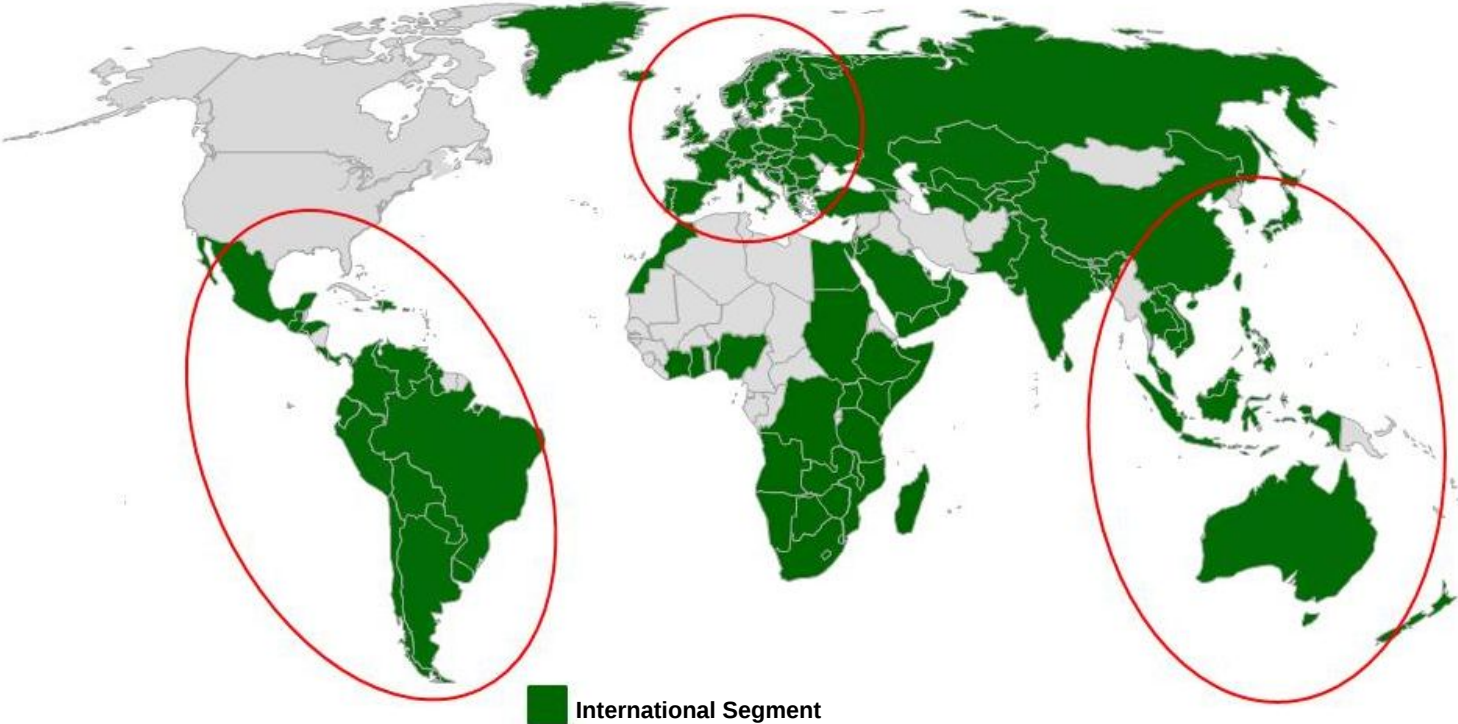
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David Montgomery  
Executive Vice President & President, International

- ◆ Overview
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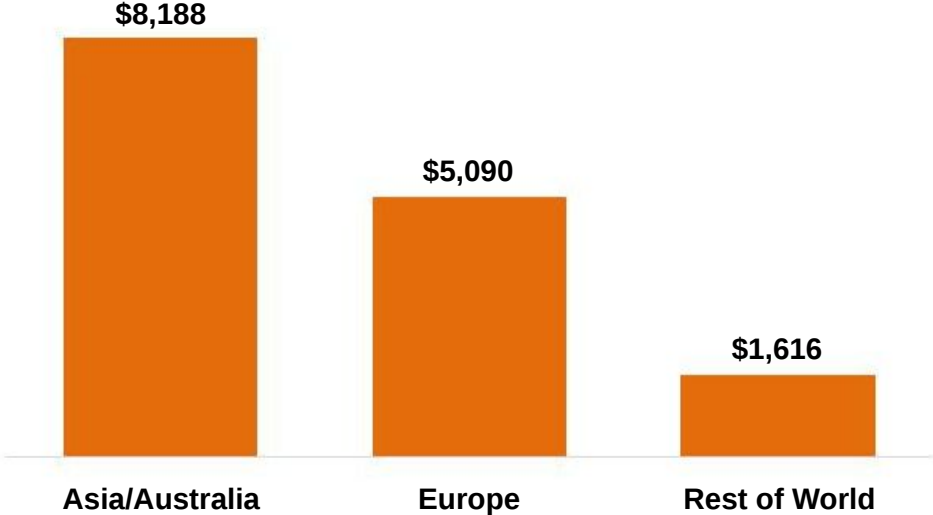


# International Is A \$600 Million Segment



## Estimated Wholesale Bedding Sales by Region

(\$ in millions at wholesale)



Note: Based on CSIL World Mattress Report, 2014 (Top 35 Markets Mattress Consumption)

# Geographic Commentary

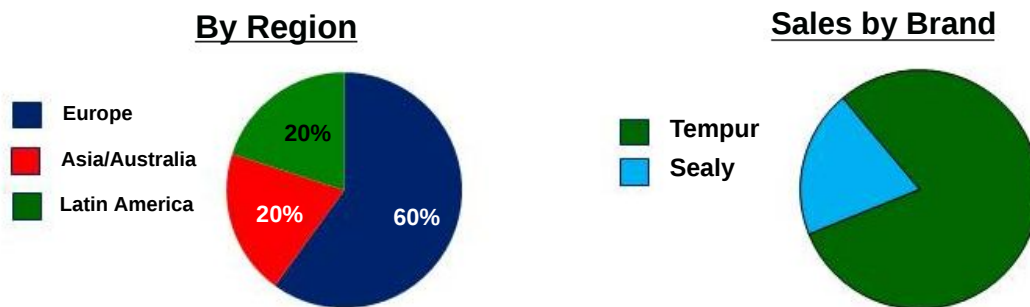
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- ◆ Europe growth is muted, due in particular to a challenged Central European region
  - Tempur's distribution is significant in Europe
  - Sealy's opportunity in Europe is large
  
- ◆ Asia-Pacific region continues to experience solid growth
  - Tempur has a mixed distribution model with traditional and company-owned stores
  - Asia JV represents Sealy brand in most countries (excluding Japan)
  
- ◆ Latin America market is small, but growing
  - Tempur Sealy has a solid market position in Mexico and Argentina, and rapidly growing business in Brazil

# Tempur Sealy International

---

- ◆ Tempur Sealy has strong market positions in Europe, Asia Pacific and Latin America
  - Mix of wholly-owned subsidiaries, JVs, licensees and 3<sup>rd</sup> party distributors
- ◆ Broadly distributed across all key channels
  - Blend of wholesale distribution and managed retail stores
- ◆ Supply chain mixture of wholly-owned and contract-manufactured



# Range Of Mattress Technologies – TEMPUR

---



*Original*



*Sensation*



*Cloud*





*Innerspring*



*Hybrid*



*Luxury Innerspring*



# Complete Range Of Adjustable Bases And Bed Systems

---



*Flex*



*Zero G*



*Tempur North*



# Complete Range Of Pillows And Accessories

---



*Original*



*Breeze*



*Millennium*



*EasyClean*



- ◆ Overview
- ◆ 2014 Review
- ◆ Growth Initiatives
- ◆ Summary

# 2014 Review

---

- ◆ 2014 sales growth driven by double-digit increases in Asia Pacific and positive growth in Latin America and Europe
- ◆ Tempur-branded direct channel sales increased 39% on a constant currency basis in 2014
- ◆ Operating margin pressured by Sealy introduction in Europe, unfavorable FX and country mix
- ◆ Acquired Sealy brand rights in Japan, Continental Europe and the Southern Territory of Brazil
- ◆ Acquired Tempur distribution rights in Mexico

- ◆ Overview
- ◆ 2014 Review
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- ◆ Summary

# Growth Initiatives

<p><b>Sealy Europe</b></p>  <p>A map of Europe with several countries highlighted in green. To the right of the map are the Sealy logo and the Stearns &amp; Foster logo, which consists of a hexagon containing 'S&amp;F' and the text 'STEARNS &amp; FOSTER' below it.</p>	<p><b>Distribution Growth</b></p>  <p>A collage of images showing various retail stores. At the top left is a 'DORMITORY' store. In the center is a 'Harvey Norman' store with a sign that says 'Come to Dreams'. At the bottom left is an 'Ikea' store. The background of the collage features a large illuminated display of snowflakes.</p>
<p><b>Tempur Sealy Japan</b></p>  <p>A photograph of a retail store display for Tempur Sealy mattresses. Several beds with white and dark grey bedding are arranged in a showroom setting.</p>	<p><b>Production Innovation &amp; Marketing</b></p>  <p>Two images related to production and marketing. On the left is a photograph of a modern, dark-colored bed in a minimalist room. On the right is a vertical poster for Tempur Sealy featuring a person lying on a mattress and the Tempur Sealy logo.</p>

# Sealy Europe Is A \$200+ Million Opportunity

## Sealy Europe



## Distribution Growth



## Tempur Sealy Japan



## Product Innovation & Marketing



Note: Management estimates. Please refer to "Forward Looking Statements".

# Sealy Europe Is A Key Growth Investment

---

- ◆ Sealy Europe is a \$200+ million opportunity
  - Tempur has mid-single digit share of the \$4+ billion Continental European market
  - Sealy Europe opportunity based on achieving a similar market share level to Tempur
  
- ◆ Build scale through mixed manufacturing model
  - Stearns & Foster products are being manufactured in North America and exported to Europe
  - Sealy Hybrid products transitioning to a higher quality new supplier in Eastern Europe in 1Q
  
- ◆ Leveraging Tempur Europe infrastructure and premium retail distribution strength
  - Secured over 1,000 retail doors for initial placement of Stearns & Foster and Sealy in Europe
  - Roll-out occurring in all key markets except the UK
  
- ◆ Investing to build brand awareness and profitable product portfolio across technologies

# Premium Brand Positioning

- ◆ Stearns & Foster positioned as an All-American style luxury-priced mattress
- ◆ Sealy Hybrid targets mainstream core with pricing beneath Tempur and Stearns & Foster

Mehr als nur ein Platz zum Schlafen

HALB SCHAUM  
HALB FEDERN

Die neue **Sealy Hybrid** Kollektion

Komfort durch den Gel-Memory-Schaum  
Unterstützung durch die Sealy-Federn

z.B. Sealy Hybrid Classic: 20cm  
Gel-Memory-Schaum mit Titan-Federn  
10 Jahre Sealy-Garantie  
360x200x200cm UVP 798€

Sealy - jetzt neu in Deutschland bei

**VÖLKEL**  
www.vaelkel-waehlen.de

STEARNS & FOSTER®

LA NOSTRA STORIA | LA COLLEZIONE | DESIGN | MATERIALI | MAESTRIA ARTIGIANALE | TROVA UN RIVENDITORE

La nostra storia  
*Lusso americano - Il sogno Stearns & Foster vive da 165 anni*

# Investing To Support Distribution And Build Awareness

## In-Store Marketing



## Advertising





# Significant Distribution Growth Potential

<p><b>Sealy Europe</b></p>  <p>The map shows several European countries highlighted in green, indicating distribution areas. The Sealy logo is in the top right, and the Stearns &amp; Foster logo is in the bottom right.</p>	<p><b>Distribution Growth</b></p>  <p>A collage of retail store exteriors, including a Lidl store and a store with a '50%' sign. A large green starburst graphic is overlaid with the text 'Significant Distribution Growth Potential'.</p>
<p><b>Tempur Sealy Japan</b></p>  <p>A photograph of a retail store interior displaying several beds with white and dark grey bedding.</p>	<p><b>Product Innovation &amp; Marketing</b></p>  <p>Two images: on the left, a Tempur Sealy bed in a modern bedroom setting; on the right, a Tempur Sealy advertisement featuring a person lying on a bed with the brand name 'TEMPUR SEALY' and Japanese text.</p>

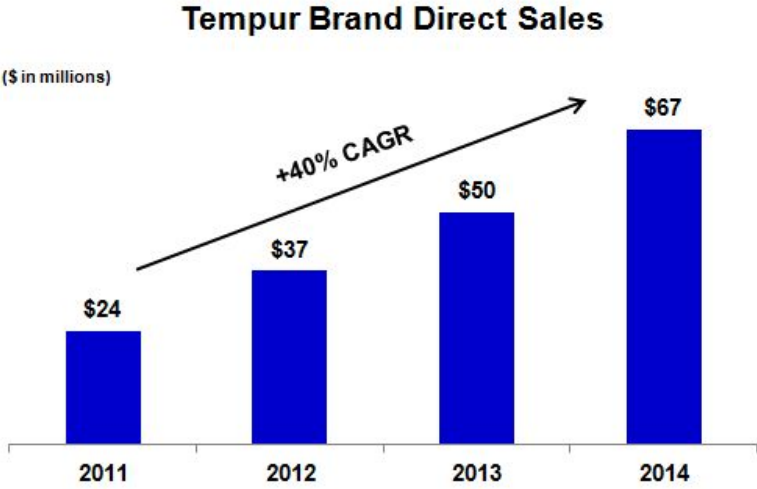
# Growth Of Distribution Around The World

- ◆ Tempur distributes through ~6,000 retail doors and Sealy distributes through ~5,200 retail doors
- ◆ Focused on expanding distribution in 2015



# Significant Tempur Brand Direct Sales Growth

- ◆ Tempur brand direct sales growth in the International segment has been driven by an increase in the number of company-owned stores and e-commerce



# Tempur Branded Company-Owned Stores

◆ Approaching 100 Tempur Sealy owned stores in Europe, Asia Pacific and Latin America

U.K.



Norway



Singapore



China



Holland



# Tempur Sealy Owned Stores In Latin America

---

- ◆ Approximately 50 Sealy stores in Latin America



Argentina Store

# Sealy Branded Stores Operated By Our Asia JVs

---

◆ Over 175 Sealy-branded stores operated by our Asia JVs



# Tempur Branded Stores Operated By Our 3<sup>rd</sup> Party Distributors

◆ Over 100 Tempur-branded or Tempur-only stores operated by third party distributors

India



South Africa



Kuwait



Saudi Arabia



Dubai



Philippines



# Tempur Sealy Japan Is A Key Growth Opportunity

<p><b>Sealy Europe</b></p>  <p>Sealy S&amp;F STEARNS &amp; FOSTER®</p>	<p><b>Distribution Growth</b></p> 
<p><b>Tempur Sealy Japan</b></p>  <p>Key Growth Opportunity</p>	<p><b>Product Innovation &amp; Marketing</b></p> 



- ◆ Acquired Sealy brand rights in July 2014 and subsequently integrated into Tempur Japan
- ◆ Integration strengthens Tempur Sealy's market positioning and provides significant growth opportunities to leverage portfolio by expanding product offering and distribution



# Robust Product Pipeline Provides Large Market Share Opportunity

**Sealy Europe**

**Distribution Growth**

**Tempur Sealy Japan**

**Product Innovation & Marketing**

**Robust Product Pipeline Provides Large Market Share Opportunity**

# Robust Pipeline Of Consumer Preferred Products

- ◆ Leveraging global product development scale and capabilities – significant plans for 2016



*TEMPUR-Breeze*



*TEMPUR North*



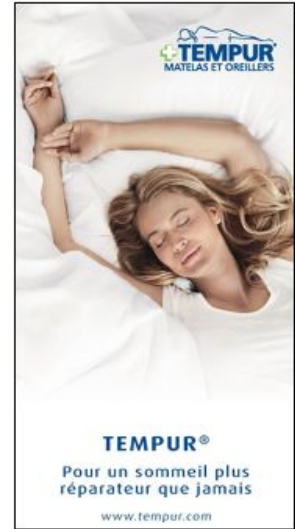
*TEMPUR-Cloud*



*TEMPUR Adjustable Bases*

# Committed To Building Brand Awareness

- ◆ Tempur brand awareness internationally is below 50%, and well below level in North America



"For a more restful sleep than ever"  
Tempur France



**TEMPUR**  
Grand Jeu Concours  
Spécial Noël  
du 28 novembre au 14 décembre 2014

**A GAGNER**  
20 oreillers Traditional  
Easy Clean  
à partir de 10 € TTC.

**Recevez le meilleur oreiller TEMPUR entièrement lavable.**

Nordische Wildnis  
entworfen von TEMPUR

Repariert durch den überlappenden und selbstheilenden Memory-Foam des Handwerksmeisterhandwerks von TEMPUR® North-Wildnis.

ab 1.000,- €

Dieses stufenlos verstellbare Bett gehört der Antike an, in dem Sie sich selbst anpassen und spannen können. Das TEMPUR® North-Wildnis ist ideal für die wichtigsten Aspekte und gleichzeitig mit seinem angenehmen, sehr gewissten Design.

Durch unsere Filter bleibt das Bett auch, als würde es nie verschmutzt. Form und Funktion sind hier auf perfekte Weise verbunden. Die TEMPUR®-Matten sind auch Ihre Körperform perfekt an und bietet optimale Unterstützung. Klarheit in der Design und Lagerhaltung. Für ein Gefühl der Schwerkraft und dem bestmöglichen Schlaf.

TEMPUR® North-Wildnis, ab andere Bettdecken. Besuchen Sie unsere Ausstellung.

Wählen Sie die Farbe:

SMB	GRÜN	HELFER
-----	------	--------

**TEMPUR EXPERIENCE**  
JUSQU'AU 15 AVRIL 2015

Pour recevoir gratuitement votre oreiller de voyage TEMPUR...

... c'est très simple !

**TEMPUR CHALLENGE**

Claim your **FREE TEMPUR® Comfort Travel Pillow™** worth £65, no purchase required.  
See in store for more details.

\* Terms & Conditions apply until 15th May 2015.

**TEMPUR® Special Edition 15**

TEMPUR® S Planseng  
TEMPUR® S Elevationss

Over de seneste 15 år har vi hjulpet hundredtusindvis danskere til deres livs bedste nattesovn, og det markerer vi nu med et helt særligt Special Edition 15 kampagnesæt.

Markedsføringsaktivitet i henhold til Lov om Markedsføringsloven. Markedsføringsaktivitet i henhold til Lov om Markedsføringsloven.

**TEMPUR**

Drift into your perfect sleep  
Tempur Sale starts 4 January

**TEMPUR**

The image shows a screenshot of a Facebook page for Tempur Sealy. At the top, there is a green navigation bar with a home icon, the text "we love sleep", and a Facebook logo. Below this, the page header reads "Real people. Real Mattress Reviews. Unscripted." and features the Tempur logo with the website "www.sleep.com.au".

The main content area includes a video player showing a man and a woman. To the right of the video is a vertical list of video thumbnails with titles: "A Better Night's Sleep", "Best Investment", "Can't Wait To Get Home", "Finding The One", and "How's Your Back".

Below the video player is a quote section with a photo of an elderly couple. The quote reads: "We talk about our mattress all the time" and includes a link: "Watch Rosemary and Phil's Tempur story".

The bottom section is titled "Sleep Well, Live Well With TEMPUR®" and contains a paragraph of text: "At TEMPUR® we believe that whatever your shape, size or age, your mattress should contour to the unique shape of your body whatever your sleep preference. That's why at TEMPUR® we have a range of mattresses and pillows, to give you the personalised support you need while you sleep. With the help of your local store, we encourage you to test our products and let your body decide. Request a FREE information pack as we believe that with our innovative sleep technology, all you'll feel is weightless." Below the text are four small images: a bed in a room, a person sleeping, a person holding a mattress, and a store display.

# Effective In-Store Marketing/Product Investments





# Striving For Highest Dealer Advocacy

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- ◆ Overview
- ◆ 2014 Review
- ◆ Growth Initiatives
- ◆ Summary

# International Summary

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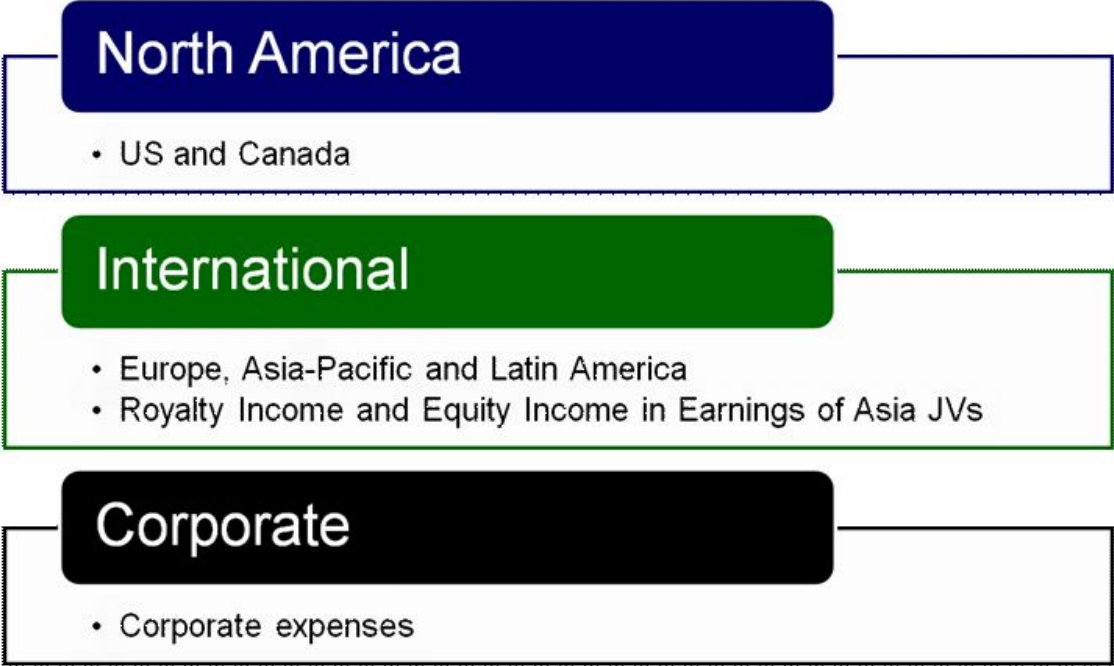
- ◆ 2014 Growth Was Driven Largely By Higher Sales In Asia Pacific And Latin America
- ◆ Investing In Future Growth – Sealy Europe Is A Significant Opportunity, Tempur Sealy Japan
- ◆ Will Expand Distribution – Traditional Retailers and Company-Owned Stores
- ◆ Robust Product Pipeline Provides Large Market Share Gain Opportunity
- ◆ Remain Committed To Marketing Investments To Build Brand Awareness Of All Brands
- ◆ Expect To Improve Efficiencies Related To Sealy Europe Ramp

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Dale Williams  
Executive Vice President & Chief Financial Officer

- ◆ Financial Overview
- ◆ Financial Outlook
- ◆ Capital Structure and Cash Flow

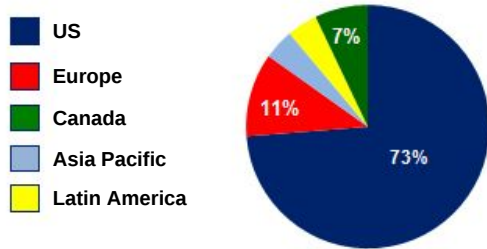
**Consolidated**



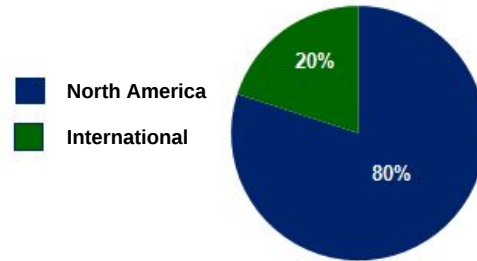
# Globally Diverse Bedding Provider Largely Sold In The Retail Channel

## 2014 Net Sales

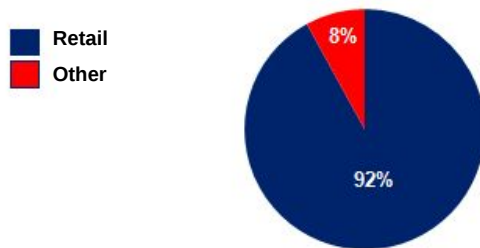
### By Geographic Region



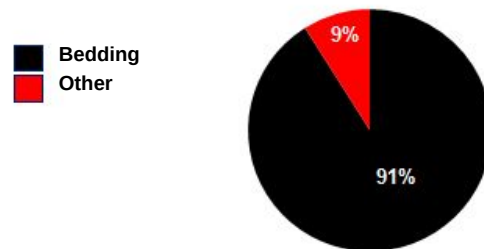
### By Segment



### By Channel

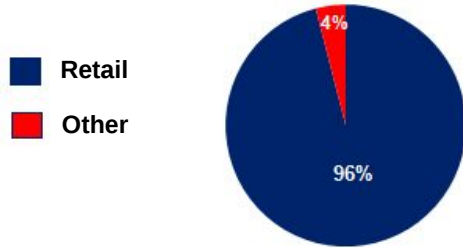


### By Product

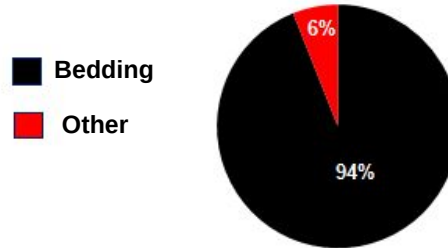


**2014 Net Sales  
North America Segment**

**By Channel**



**By Product**



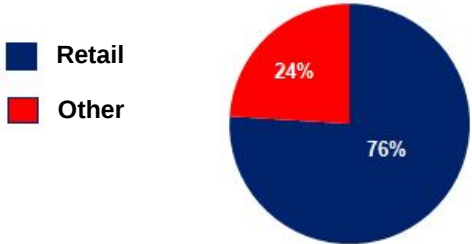
*Mattresses Account For ~85% Of Bedding  
Pillows Account For ~67% Of Other*



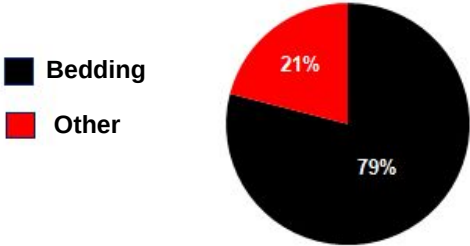
# International – Higher Mix Of Other Products Sold In Other Channels Versus North America

## 2014 Net Sales International Segment

**By Channel**



**By Product**

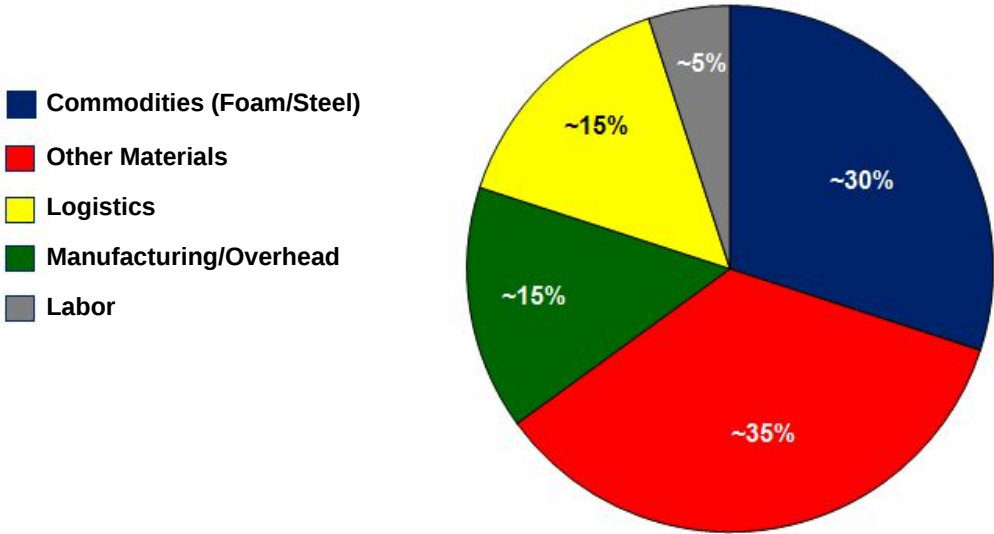


*Mattresses Account For ~80% Of Bedding  
Pillows Account For ~75% Of Other*

# Balanced Cost Of Goods Sold Mix

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## Consolidated



- ◆ Financial Overview
- ◆ Financial Outlook
- ◆ Capital Structure and Cash Flow

# Annual Base Growth Targets 2015-2018

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<b>SALES GROWTH</b>	<b>6%</b>
<b>OPERATING MARGIN IMPROVEMENT</b>	<b>50bps</b>
<b>DELEVERAGING TO 3X AND RETURN VALUE TO SHAREHOLDERS</b>	
<b>ADJUSTED EPS GROWTH</b>	<b>15%</b>

***Internal Target: 100bps Annual Operating Margin Improvement***

***Targets are based on Constant Currency***

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Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Targets are based on constant currency, excluding the impact from foreign exchange. For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.

<b>Consolidated Net Sales</b>		<b>FY 2015 vs. FY 2014</b>
Net Sales Growth		+2% to +5%
Currency		-3.5%
Constant Currency Sales Growth		+5.5% to +8.5%
<b>Adj. Earnings Per Share</b>		<b>FY 2015 vs. FY 2014</b>
Adjusted EPS Growth		+2 to +17%
Currency		-10.0%
Constant Currency Adj. EPS Growth		+12% to +27%

Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Growth presented is based on the Company's guidance issued on February 5, 2015, which consisted of full year 2015 Net Sales of \$3.050 billion to \$3.150 billion and Adjusted EPS of \$2.70 to \$3.10.

Note 3: For information on the methodology used to present constant currency information please refer to slide 167.

Note 4: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.

<b>North America</b>	<b>FY 2015 vs. FY 2014</b>
Net Sales Growth	+3% to +5%
Currency	-1%
Constant Currency Sales Growth	+4% to +6%

<b>International</b>	<b>FY 2015 vs. FY 2014</b>
Net Sales Growth	-1% to +6%
Currency	-13%
Constant Currency Sales Growth	+12% to +19%

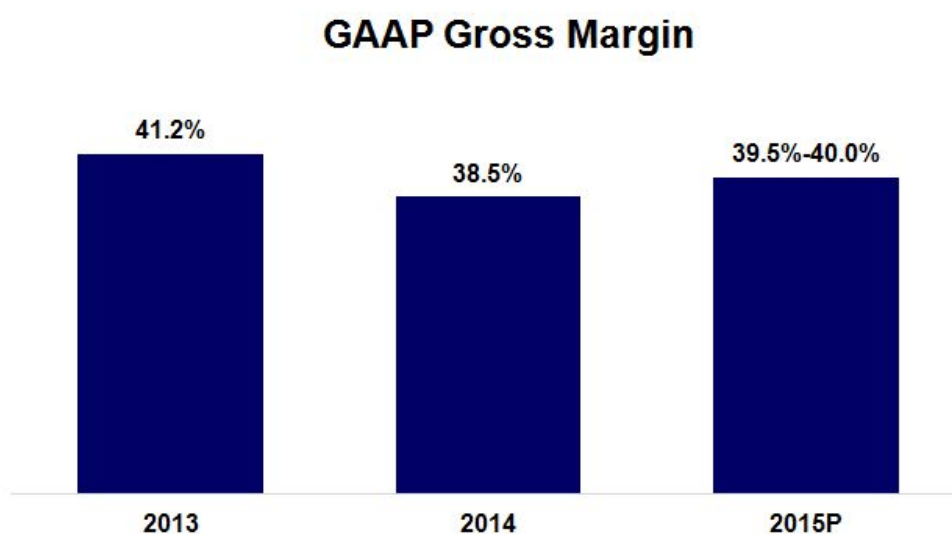
Note 1: Updated historical financial information based on new segments was provided in a Form 8-K filed with the SEC on February 13, 2015.

Note 2: For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Management estimates. Please refer to "Forward Looking Statements".

# Expect To Reverse Gross Margin Trend In 2015

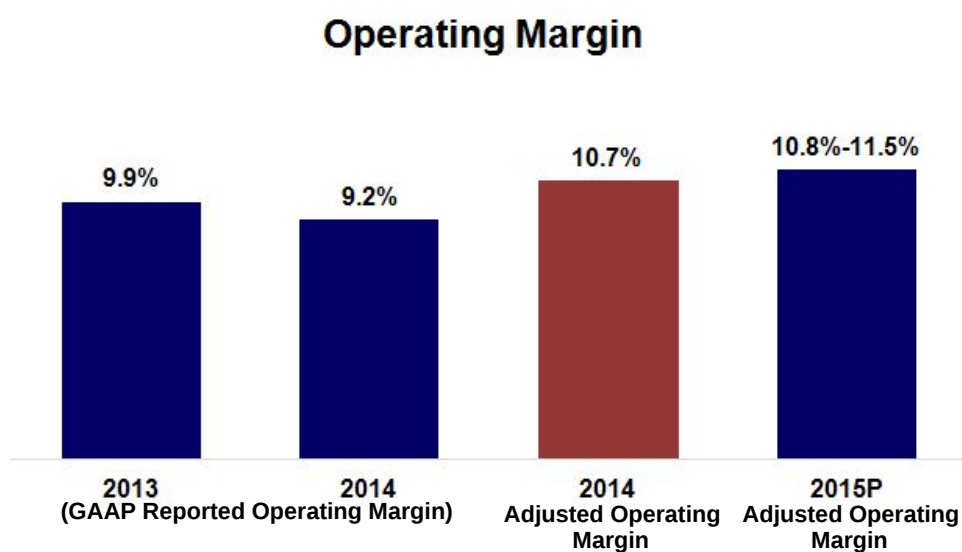
- ◆ 2015 margin improvement to be driven by pricing, volume leverage and cost efficiencies, offset partially by unfavorable currency, product and channel mix and slight commodity inflation
- ◆ Excluding FX, gross margin is expected to be up approximately 150bps to 200bps



Note 1: For information on the methodology used to present constant currency information please refer to slide 167.  
Note 2: Management estimates. Please refer to "Forward Looking Statements".

# Operating Margin Expansion In 2015

- ◆ 2014 GAAP operating margin includes \$43.8 million of integration costs (1.5% of sales)
- ◆ Excluding integration and financing costs, operating margin is expected to be up 10bps to 80bps in 2015
- ◆ On a constant currency basis, and excluding integration and financing costs, operating margin is expected to be up 75bps to 150bps in 2015



Note 1: 2015 operating margin improvement based on management estimates. Please refer to "Forward Looking Statements".

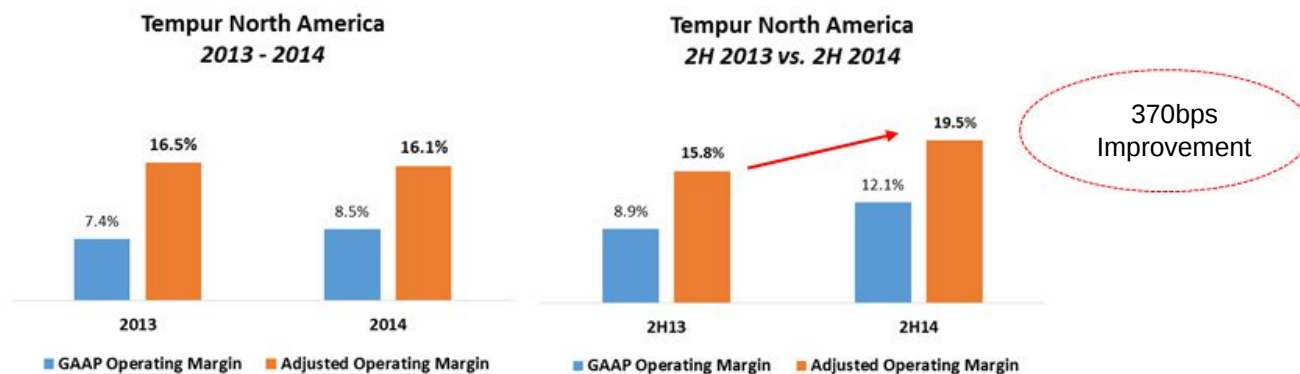
Note 2: Adjusted operating margin is a non-GAAP measure. For information on the methodology used to present Adjusted operating margin and a reconciliation to GAAP operating margin please refer to slide 165.

Note 3: For information on the methodology used to present constant currency information please refer to slide 167.



# Tempur North America Margins Are Improving

- ◆ Our first half of 2014 investments are paying off as sales grew double-digits and margins expanded considerably in the second half of 2014 as compared to the second half of 2013
- ◆ 2015 guidance assumes significant further margin improvement
  - Volume leverage, cost productivity, pricing, and fewer floor model launch costs

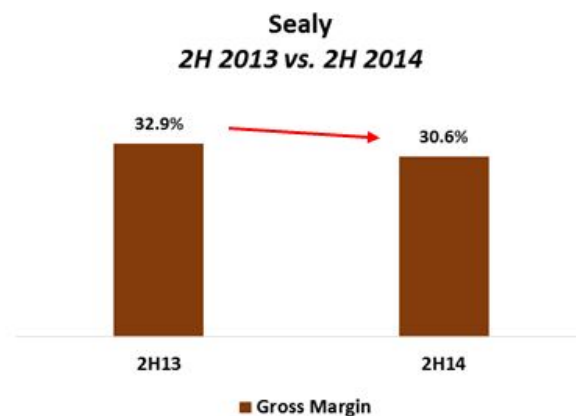


Note 1: 2015 operating margin improvement based on management estimates. Please refer to "Forward Looking Statements".

Note 2: Adjusted operating margin (operating margin less corporate expense) is a non-GAAP measure. For information on Tempur North America Adjusted Operating Margin and a reconciliation to GAAP operating margin please refer to slide 163.

# Focused On Driving Sealy Margin Improvement

- ◆ Sealy operating margins deteriorated in the second half of 2014 vs. the second half of 2013 due primarily to manufacturing inefficiencies and unfavorable FX
- Targeting 300bps of Sealy US gross margin improvement in the US (valued at \$45 million in annual incremental gross profit when fully achieved) during 2015-2018



Note 1: Targeted Sealy US gross margin improvement based on management estimates. Please refer to "Forward Looking Statements".

# Tempur International Margins Pressured By Sealy Mix

- ◆ Tempur International operating margins deteriorated in 2014 vs. 2013 due primarily to launch of Sealy Europe, unfavorable FX and market weakness in Central Europe
- ◆ International margins will continue to be pressured by increased Sealy mix, however in the future margin dollars will increase as Sealy sales grow in international markets



Note: Please refer to "Forward Looking Statements".

# Significant Margin Improvement Opportunities

<u>Initiative</u>	<u>2014</u>	<u>2015 -2018 Objective</u>	<u>Annual Incremental Operating Income<sup>1</sup></u>
Sealy US Gross Margin Improvement <sup>2</sup>	30%	33%	\$45 million
Adjusted Operating Expense Leverage <sup>3</sup>	29%	28%	\$30 million
Cost Synergies <sup>4</sup>	\$45 million	\$70 million	\$25 million
2015 Pricing	–	\$25 million	\$25 million

**\$125 million**

**Internal Target: 100bps Annual Operating Margin Improvement**

Note 1: Represents initiatives to be achieved by 2018. Our expectation is that they will ramp through the period. Approximately 30% of the total \$125 million is incorporated into our full year 2015 adjusted EPS guidance. See "Forward Looking Statements".

Note 2: Refers to Sealy gross margin in the U.S. of 30% in 2014. Sealy US gross margin improvement excludes the benefit from cost synergies.

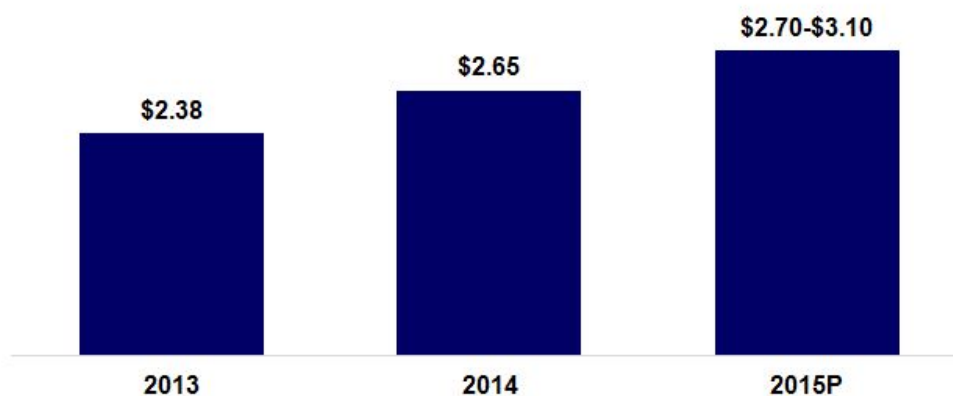
Note 3: Adjusted operating expense leverage is a non-GAAP measure. For information on the methodology used to present adjusted operating expense leverage and a reconciliation to GAAP operating margin please refer to slide 164.

Note 4: Cost synergies reflect annualized cost synergies realized from the Sealy transaction.

# Targeting Base Annual Adjusted EPS Growth Of 15%

- ◆ 2015 Adjusted EPS is expected to grow 12% to 27% on a constant currency basis

## Adjusted EPS



Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: GAAP EPS for 2013 was \$1.28 and GAAP EPS for 2014 was \$1.75.

Note 3: 2015P is based on the Company's February 5, 2015 issued guidance for Adjusted EPS for full year 2015 of \$2.70 to \$3.10.

Note 4: Base Annual Adjusted EPS Growth Target is based on constant currency. For information on the methodology used to present constant currency information please refer to slide 167.

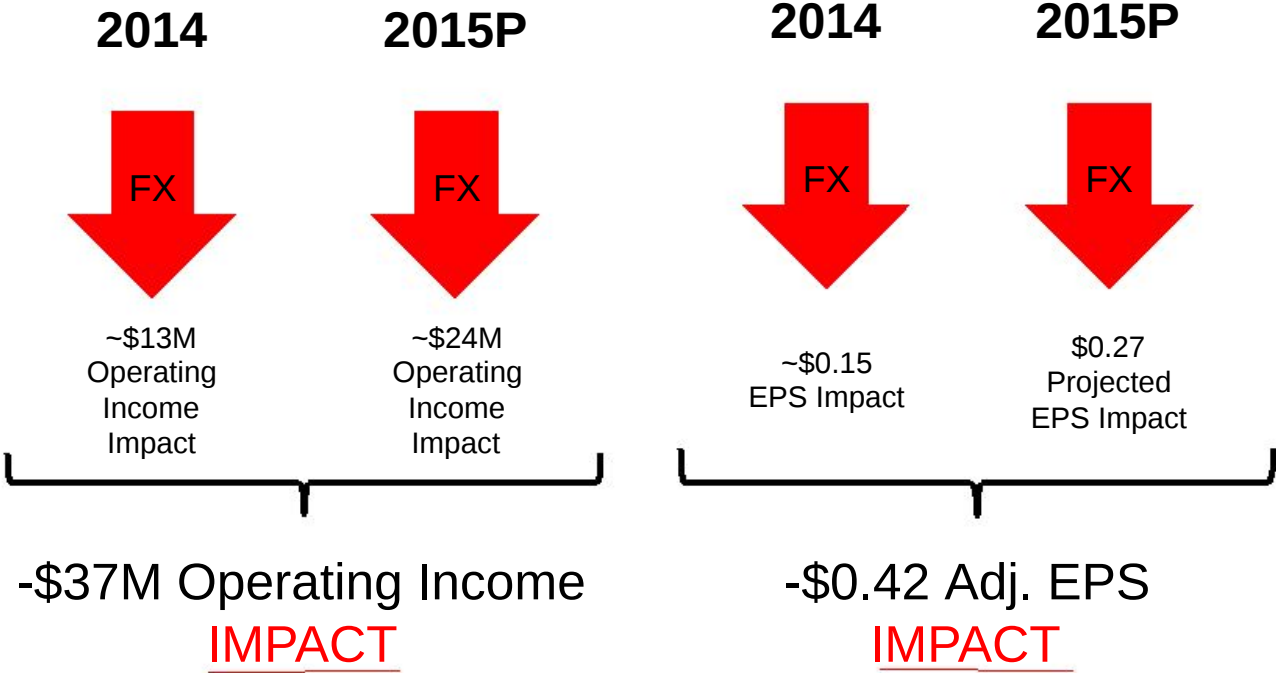
Note 5: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.

# Strengthening US Dollar Against Key Currencies



Note: Factset, based on currency rates as of February 1, 2015.

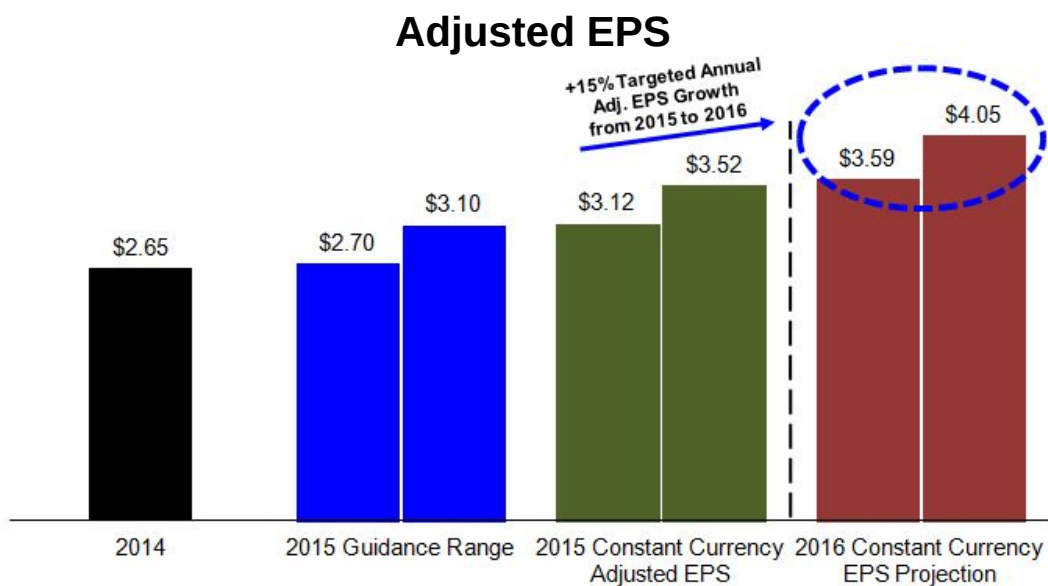
# Significant Profit Impact From Unfavorable FX



Note 1: For information on the methodology used to present constant currency information please refer to slide 167.  
Note 2: 2015 impact from FX based on management estimates for the mid-point of the Company's 2015 financial guidance. Please refer to "Forward Looking Statements".

# We Are On Track To Our 2016 Targets

**Based On High End Of 2015 Guidance And Our Annual Growth Targets, We Would Be On Pace To Achieve Our 2016 \$4.00 Adj. EPS Target, On A Constant Currency Basis**



Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Growth presented for 2015 is based on the Company's guidance issued on February 5, 2015, which consisted of full year 2015 Net Sales of \$3.050 billion to \$3.150 billion and Adjusted EPS of \$2.70 to \$3.10.

Note 3: 2015 Constant Currency Adjusted EPS adjusts for the negative foreign exchange impact to adjusted EPS during 2014 and anticipated in 2015. 2016 EPS projection is based on the Company's guidance for 2015 and the Company's Adjusted EPS growth targets for 2015-2018 and is based on constant currency. For information on the methodology used to present constant currency information please refer to slide 167.

Note 4: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.



◆ Financial Overview

◆ Financial Outlook

◆ Capital Structure and Cash Flow

# Efficient Capital Structure

- ◆ Considerable covenant headroom and sufficient liquidity

<b>Debt</b> (\$ in millions)	<b>Dec. 31, 2014</b>	<b>Maturity</b>
Revolving credit facility	\$16.0	2018
Term A Facility	\$484.5	2018
Term B Facility	\$594.4	2020
Senior Notes (6.875%)	\$375.0	2020
Sealy Notes (8.0%)	\$104.7	2016
Capital lease obligations and other	\$27.7	
<b>Total</b>	<b>\$1,602.3</b>	

Note 1: Sealy 8% Notes outstanding is based on present value of notes still outstanding using a market discount rate. The principal amount of the notes accrete 8% per annum accruing semi-annually and mature on July 15, 2016. Note holders can convert the notes into cash at any time until maturity. For more information regarding the terms of the Sealy 8% Notes please refer to the Company's SEC filings.

Note 2: Total revolving credit facility is \$350.0 million.

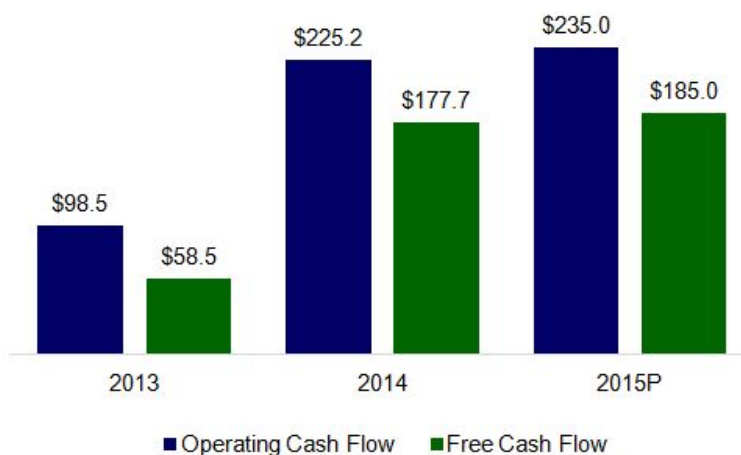
Note 3: Please refer to slide 162 and the Company's SEC filings for more information regarding the calculation of the leverage ratio for purposes of the Company's senior secured facility.

# Strong Cash Flow Characteristics

- ◆ Multi-year add back to net income as D&A should continue to exceed annual Capex by \$30M+
- ◆ On a constant currency basis, based on our 2015 guidance, operating cash flow in 2015 would exceed \$250 million and free cash flow would exceed \$200 million

## Operating and Free Cash Flow

(\$ in millions)



Note 1: Management estimates. Please refer to "Forward Looking Statements".

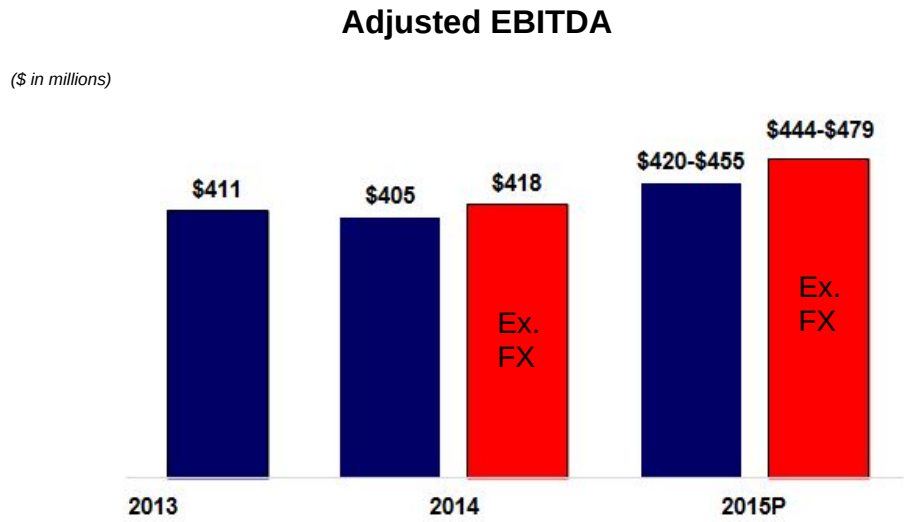
Note 2: Free cash flow is a non-GAAP measure. For information on the methodology used to present free cash flow information and a reconciliation to operating cash flow please refer to slide 166.

Note 3: 2015 Operating cash flow and free cash flow projections include the impact from foreign exchange.

Note 4: For information on the methodology used to present constant currency information please refer to slide 167.

# Solid Adjusted EBITDA Growth

- ◆ Currency negatively impacted Adjusted EBITDA by \$13 million in 2014 and expected to impact Adjusted EBITDA \$24 million in 2015 based on the mid-point of 2015 guidance



Note 1: Management estimates. Please refer to "Forward Looking Statements".

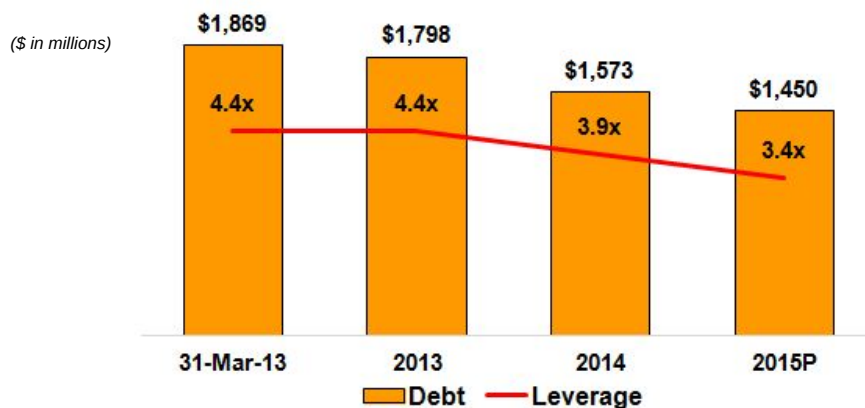
Note 2: For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted EBITDA (which is a non-GAAP measure) represents EBITDA adjusted for the loss on disposal of business, Sealy transaction and integration costs, and purchase price allocation ("PPA") inventory adjustments related to the Sealy acquisition, financing and refinancing costs, non-cash compensation, restructuring and other. Please refer to the reconciliation included on slide 161 of this presentation and the Company's SEC filings for more information regarding the definition of adjusted EBITDA and the calculation of the leverage ratio for purposes of the Company's senior secured facility.

# Adjusting Leverage Target To 3x

- ◆ As a larger more stable company, our optimal capital structure is 3x
- ◆ 2014 credit agreement amendment allows cash utilization flexibility below 3.5x
- ◆ Value creation generated through deleverage and/or returning value to shareholders

## Consolidated Funded Debt Less Qualified Cash to Adjusted EBITDA

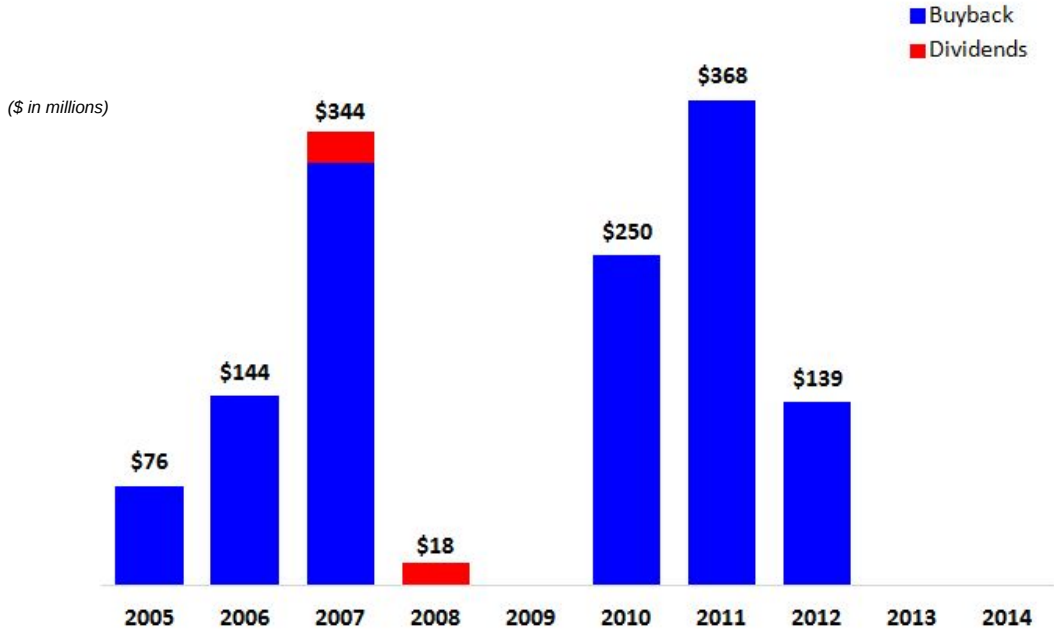


Note 1: Information for 2015 based on management estimates. Please refer to "Forward Looking Statements".

Note 2: Adjusted EBITDA (which is a non-GAAP measure) represents EBITDA adjusted for the loss on disposal of business, Sealy transaction and integration costs, and purchase price allocation ("PPA") inventory adjustments related to the Sealy acquisition, financing and refinancing costs, non-cash compensation, restructuring and other. Please refer to the reconciliation included on slides 161-162 of this presentation and the Company's SEC filings for more information regarding the definition of adjusted EBITDA and the calculation of consolidated funded debt less qualified cash and the calculation of the leverage ratio for purposes of the Company's senior secured facility (which are non-GAAP measures).

# Significant Operating Cash Flow With Commitment To Enhance Stockholder Value

◆ Prior to the Sealy acquisition, repurchased 49 million shares between 2005 and 2012 for \$1.3 billion (\$26.46 average price)



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Mark Sarvary  
President & Chief Executive Officer

# Tempur Sealy Strategic Priorities

**Leverage and Strengthen Our Comprehensive Portfolio Of Iconic Brands & Products**

**Expand Distribution And Seek Highest Dealer Advocacy**

**Expand Margins With Focus On Driving Significant Cost Improvement**

**Leverage Global Scale For Competitive Advantage**

**Accretive Acquisitions Of Licensees And Joint Ventures**

- **Base Annual Targets: Sales Growth Of 6% And Adjusted EPS Growth Of 15%**
- **Strong Cash Flow To Reduce Debt And Return Value to Stockholders**

***Delivering Value For Stockholders***

Note 1: Management estimates. Please refer to "Forward Looking Statements".

Note 2: Targets are based on constant currency. For information on the methodology used to present constant currency information please refer to slide 167.

Note 3: Adjusted EPS (which is a non-GAAP measure) is EPS adjusted for Sealy transaction and integration costs, loss on disposal of business related to the disposition of the three U.S. innerspring component facilities and related equipment, interest and fees incurred in connection with debt refinancings, normalized tax rate adjustments and to exclude certain non-recurring items. Please refer to the reconciliations on slide 160 and the Company's SEC filings for more information regarding the definition of adjusted EPS.




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## Q&A with Leadership Team

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Appendix



# Use of Non-GAAP Financial Measures

In this investor presentation and certain of its press releases and SEC filings, the Company provides information regarding adjusted net income, adjusted earnings per share, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), adjusted EBITDA, and consolidated funded debt and consolidated funded debt less qualified cash, Tempur North America adjusted operating income and operating margin, adjusted operating expenses, adjusted operating income and operating margin and free cash flow, which are not recognized terms under U.S. Generally Accepted Accounting Principles ("GAAP") and do not purport to be alternatives to net income as a measure of operating performance or total debt. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

## **Adjusted Net Income/Adjusted EPS**

A reconciliation of adjusted net income and adjusted earnings per share is provided on slide 160. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of various costs associated with the Sealy acquisition and the disposal of the three U.S. innerspring component facilities and the accelerated amortization of deferred financing charges for voluntary prepayment of Term A and Term B loans, other income related to certain other non-recurring items, including income from a partial settlement of a legal dispute, and adjustment of taxes to a normalized rate related to the aforementioned items and other discrete income tax events.

## **EBITDA/Adjusted EBITDA**

A reconciliation of EBITDA and adjusted EBITDA to the Company's net income and a reconciliation of total debt to consolidated funded debt and consolidated funded debt less qualified cash are provided on slides 161 and 162. Management believes that the use of EBITDA and adjusted EBITDA also provides investors with useful information with respect to the terms of the Company's senior secured credit facility and the Company's compliance with key financial covenants.

For more information regarding adjusted EPS, adjusted EBITDA and other terms used in the Company's senior secured facility, please refer to the Company's SEC filings.

## **Tempur North America Adjusted Operating Income and Margin Reconciliation**

A reconciliation of Tempur North America GAAP operating income and operating margin to adjusted operating income and operating margin, which are GAAP operating income and GAAP operating margin less certain corporate expenses, is provided on slide 163. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to Tempur North America's operating performance excluding the impact of certain corporate expenses.

## **Adjusted Operating Expenses**

A reconciliation of GAAP operating expenses to adjusted operating expenses, which is GAAP operating expenses less integration and financing costs, is provided on slide 164. Management believes that the use of this non-GAAP financial measure provides investors with additional useful information with respect to the Company's operating performance and initiative to deleverage operating expenses during 2015-2018. The reconciliation provides information on the methodology used to present operating expenses, including the exclusion of integration and financing costs related to the Sealy acquisition.

## **Adjusted Operating Income and Margin**

A reconciliation of GAAP operating income and operating margin to adjusted operating income and operating margin, which are GAAP operating income and GAAP operating margin less integration and financing costs, is provided on slide 165. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the Company's operating income and margin performance excluding the impact of integration and financing costs related to the Sealy acquisition.

## **Free Cash Flow**

A reconciliation of cash provided by operating activities to free cash flow, which is cash provided by operating activities less purchases of property, plant and equipment, is presented on slide 166. Management believes that the use of this non-GAAP financial measure provides investors with additional useful information with respect to the Company's cash generation and financial strength.

# 2014 Adjusted EPS Reconciliation

## 2013 and 2014 Adjusted EPS

<i>(in millions, except per share amounts)</i>	Year Ended December 31, 2013	Year Ended December 31, 2014
<b>Net income</b>	\$ 78.6	\$ 108.9
Plus:		
Loss on disposal of business, net of tax <sup>(1)</sup>	--	16.7
Transaction costs, net of tax <sup>(2)</sup>	13.2	--
Integration costs, net of tax <sup>(2)</sup>	37.2	30.6
Financing costs, net of tax <sup>(3)</sup>	6.5	3.4
Other income, net of tax <sup>(4)</sup>	--	(11.3)
Adjustment of taxes to normalized rate <sup>(5)</sup>	10.9	16.3
Adjusted net income	<u>\$ 146.4</u>	<u>\$ 164.6</u>
<b>Earnings per share, diluted</b>	\$ 1.28	\$ 1.75
Loss on disposal of business, net of tax <sup>(1)</sup>	--	0.27
Transaction costs, net of tax <sup>(2)</sup>	0.21	--
Integration costs, net of tax <sup>(2)</sup>	0.60	0.49
Financing costs, net of tax <sup>(3)</sup>	0.11	0.05
Other income, net of tax <sup>(4)</sup>	--	(0.18)
Adjustment of taxes to normalized rate <sup>(5)</sup>	0.18	0.27
Adjusted earnings per share, diluted	<u>\$ 2.38</u>	<u>\$ 2.65</u>
Diluted shares outstanding	<u>61.6</u>	<u>62.1</u>

(1) Loss on disposal of business represents costs associated with the disposition of the three U.S. innerspring component facilities and related equipment.

(2) Transaction and integration represents costs, including legal fees, professional fees and other charges to align the businesses related to the Sealy acquisition.

(3) Financing costs represent costs incurred in connection with the amendment and refinancing of our senior secured credit facility in 2014 and 2013, respectively.

(4) Other income includes certain other non-recurring items, including income from a partial settlement of a legal dispute.

(5) Adjustment of taxes to normalized rate represents adjustments associated with the aforementioned items and other discrete income tax events.

Note: 2013 includes Sealy from March 18 to December 31, 2013.

# Adjusted EBITDA Reconciliation

## 2013 and 2014 Adjusted EBITDA

<i>(in millions)</i>	Year Ended December 31, 2013 <sup>(1)</sup>	Year Ended December 31, 2014
Net income attributable to Tempur Sealy International, Inc.	\$ 75.6	\$ 108.9
Interest expense	133.2	91.9
Income taxes	39.0	64.9
Depreciation & amortization	98.6	89.7
EBITDA	<u>\$ 346.4</u>	<u>\$ 355.4</u>
Adjustments for financial covenant purposes:		
Transaction costs <sup>(2)</sup>	25.2	—
Integration costs <sup>(2)</sup>	15.3	40.3
Financing and Refinancing charges <sup>(3)</sup>	2.4	1.3
Non-cash compensation <sup>(4)</sup>	5.8	—
Restructuring and impairment related charges <sup>(5)</sup>	7.8	—
Loss on disposal of business and discontinued operations <sup>(6)</sup>	0.6	23.2
Other <sup>(7)</sup>	7.6	(15.6)
Adjusted EBITDA	<u>\$ 411.1</u>	<u>\$ 404.6</u>

(1) 2013 is presented according to the methodology used for the Company's senior secured facilities and is based on trailing twelve month Adjusted EBITDA for both Tempur-Pedic and Sealy.

(2) Transaction and integration represent costs related to the Sealy Acquisition, including legal fees, professional fees and other charges to align the businesses.

(3) Financing costs represent costs incurred in connection with the amendment of our senior secured credit facility and refinancing charges represent costs associated with debt refinanced by Sealy prior to the Sealy Acquisition.

(4) Non-cash compensation represent costs associated with various share-based awards.

(5) Restructuring and impairment represent costs related to restructuring the Tempur Sealy business and asset impairment costs recognized by Sealy prior to the Sealy Acquisition.

(6) Loss on disposal of business represents costs associated with the disposition of the three U.S. innerspring component production facilities and related equipment and discontinued operations represent losses from Sealy's divested operation prior to the Sealy Acquisition.

(7) Other income in 2014 includes certain other non-recurring items, including income from a partial settlement of a legal dispute.

# Debt Reconciliation and Leverage Ratio Calculation

## Reconciliation of Total Debt to Consolidated Funded Debt Less Qualified Cash

<i>(in millions, except ratio)</i>	<b>As of December 31, 2014</b>
Total debt	\$ 1,602.3
Plus:	
Letters of credit outstanding	18.2
Consolidated funded debt	<u>1,620.5</u>
Less:	
Domestic qualified cash <sup>(1)</sup>	25.9
Foreign qualified cash <sup>(1)</sup>	21.9
Consolidated funded debt less qualified cash	<u>\$ 1,572.7</u>
Adjusted EBITDA	<u>404.6</u>
Consolidated funded debt less qualified cash to Adjusted EBITDA <sup>(2)</sup>	<u>3.89 times</u>

(1) Qualified cash as defined in the Company's senior secured credit facility equals 100.0% of unrestricted domestic cash plus 60.0% of unrestricted foreign cash. For purposes of calculating leverage ratios, qualified cash is capped at \$150.0 million.

(2) The ratio of consolidated debt less qualified cash to adjusted EBITDA was 3.89 times, within the Company's covenant, which requires this ratio to be less than 4.75 times at December 31, 2014.

Note: For more details regarding consolidated funded debt, consolidated funded debt less qualified cash and Adjusted EBITDA, please refer to the Company's SEC filings.

# Tempur North America Adjusted Operating Margin Reconciliation

## Tempur North America Adjusted Operating Income And Operating Margin

### Tempur North America 2013 - 2014 *(in millions, except percentage amounts)*

	Year Ended December 31, 2013	Year Ended December 31, 2014
Operating Income, Tempur North America segment	\$67.6	\$84.9
Tempur North America Net Sales	910.0	993.2
<b>Operating Margin (GAAP)</b>	<b>7.4%</b>	<b>8.5%</b>
Corporate expenses included in Tempur North America segment	83.0	75.5
Adjusted Operating Income less corporate expenses	\$150.6	\$160.4
Tempur North America Net Sales	910.0	993.2
<b>Adjusted Operating Margin</b>	<b>16.5%</b>	<b>16.1%</b>

### Tempur North America 2H 2013 vs. 2H 2014 *(in millions, except percentage amounts)*

	Six Months Ended December 31, 2013	Six Months Ended December 31, 2014
Operating Income, Tempur North America segment	\$41.5	\$65.5
Tempur North America Net Sales	468.6	542.9
<b>Operating Margin (GAAP)</b>	<b>8.9%</b>	<b>12.1%</b>
Corporate expenses included in Tempur North America segment	32.7	40.2
Adjusted Operating Income less corporate expenses	\$74.2	\$105.7
Tempur North America Net Sales	468.6	542.9
<b>Adjusted Operating Margin</b>	<b>15.8%</b>	<b>19.5%</b>

# Adjusted Operating Expenses

## 2014 Adjusted Operating Expenses

### Tempur Sealy International, Inc.

(in millions, except percentage amounts)

Year Ended  
December 31,  
2014

Consolidated net sales	\$2,989.8
Selling and marketing expenses	619.9
General, administrative and other expenses	280.6
Operating Expenses	900.5
<b>Operating Expenses as a % of Consolidated Net Sales</b>	<b>30%</b>
Operating Expenses	\$900.5
Less: Integration and financing costs	43.8
Operating Expenses less Integration and financing costs	\$856.7
<b>Adjusted Operating Expenses as a % of Consolidated Net Sales</b>	<b>29%</b>

Note 1: Integration costs represents costs, including legal fees, professional fees and other charges to align the businesses related to the Sealy acquisition.  
Note 2: Financing costs represent costs incurred in connection with the amendment of our senior secured credit facility.



# Adjusted Operating Margin

## 2014 Adjusted Operating Income and Margin

### Tempur Sealy International, Inc.

(in millions, except percentage amounts)

	Year Ended December 31, 2014
Operating Income, Tempur Sealy International, Inc.	\$276.3
Consolidated net sales	2,989.8
<b>Operating Margin (GAAP)</b>	<b>9.2%</b>
Operating Income, Tempur Sealy International, Inc.	\$276.3
Plus: Integration and financing costs	43.8
Adjusted Operating Income	\$320.1
Consolidated net sales	2,989.8
<b>Adjusted Operating Margin (Non-GAAP)</b>	<b>10.7%</b>

Note 1: Integration costs represents costs, including legal fees, professional fees and other charges to align the businesses related to the Sealy acquisition.  
Note 2: Financing costs represent costs incurred in connection with the amendment of our senior secured credit facility.

# Free Cash Flow

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## 2014 Free Cash Flow

**Tempur Sealy International, Inc.**  
*(in millions)*

	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2014</b>
Net cash provided by operating activities	\$98.5	\$225.2
Less: Purchases of property, plant and equipment	40.0	47.5
<b>Free Cash Flow</b>	<b>\$58.5</b>	<b>\$177.7</b>

# Constant Currency Information

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In this investor presentation the Company refers to, and in other press releases and other communications with investors the Company may refer to, net sales or earnings or other historical financial information on a “constant currency basis” or “excluding FX”, which is a non-GAAP 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 year 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. The information presented on a constant currency basis is not recognized under U.S. GAAP, and this information is not intended as a substitute for reviewing information presented on a GAAP basis.