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
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 22, 2022

TEMPUR SEALY INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-31922**	**33-1022198**
(State or other jurisdiction of incorporation)	(Commission File Number)	(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. ☐

Item 7.01. Regulation FD Disclosure.

On February 22, 2022, Tempur Sealy International, Inc. 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 99.1 and is incorporated into this Item 7.01 by reference.

The information disclosed pursuant to this Item 7.01 (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 any such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Tempur Sealy International, Inc. February 2022 Investor Presentation.
104	Cover page interactive data file (embedded within the Inline XBRL document).

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 22, 2022

Tempur Sealy International, Inc.

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

TEMPUR + SEALY

TEMPUR SEALY INTERNATIONAL, INC., **TPX**

“These past two years have further solidified Tempur Sealy’s position as a **market leading, vertically integrated, omni-channel, global company** with solid fundamentals in a growing category. We enter 2022 well-positioned to continue to **grow sales and EPS double-digits.**”

TEMPUR-PEDIC Sealy STEARNS & FOSTER

PURPOSE

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

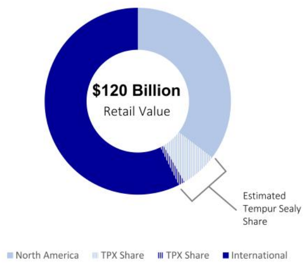
Who We Are

Tempur Sealy is committed to improving the sleep of more people, every night, all around the world. As a leading designer, manufacturer, distributor and retailer of bedding products worldwide, we know how crucial a good night of sleep is to overall health and wellness. Utilizing over a century of knowledge and industry-leading innovation, we deliver award-winning products that provide breakthrough sleep solutions to consumers in over 100 countries.

Our highly recognized brands include Tempur-Pedic®, Sealy® and Stearns & Foster® and our popular non-branded offerings consist of value-focused private label and OEM products. At Tempur Sealy we understand the importance of meeting our customers wherever and however they want to shop and have developed a strong omni-channel retail strategy. Our products allow for complementary merchandising strategies and are sold through third-party retailers, our 650+ Company-owned stores worldwide and our e-commerce channels. With the range of our offerings and variety of purchasing options, we are dedicated to continuing to turn our mission to improve the sleep of more people, every night, all around the world into a reality.

Importantly, we are committed to carrying out our global responsibility to protect the environment and the communities in which we operate. As part of that commitment, we have established the goal of achieving carbon neutrality for our global wholly owned operations by 2040.

Global Bedding Industry[1]



Estimated global bedding market includes mattresses, foundations, pillows and other bedding products

TPX at a Glance

Industry

- The global bedding industry of ~$120 billion[1] has historically experienced consistent growth.
- The U.S. market averages mid-single digit growth annually, driven by units and dollars.[1]
- The international market is highly fragmented and about 40% larger than the size of the U.S. market.[1]

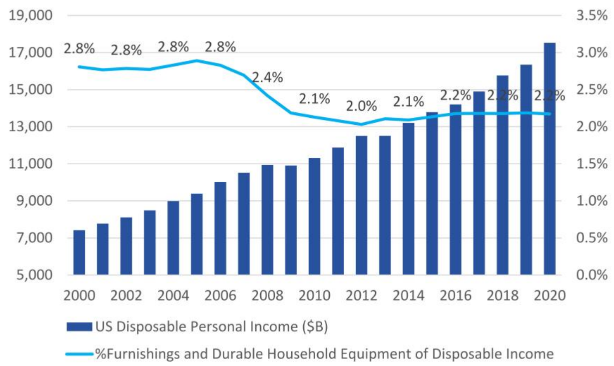
Consumer

- Consumers continue to make the connection between a good night's sleep and health & wellness.
- Enhanced focus on health over the past year has strengthened the health & wellness trend.
- The housing market, consumer confidence, and consumer spending correlate to the bedding industry.

Tempur Sealy

- Has a global omni-channel distribution strategy to be where the consumer wants to shop.
- Has a track record of developing and marketing differentiated products through consumer-centric innovation for the total global bedding market.
- Has a robust free cash flow[2] and fortified balance sheet that provide flexibility to take advantage of industry and market opportunities and return capital to shareholders.

Recent Consumer Spending Trends



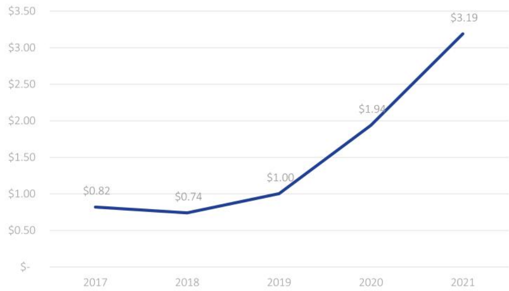
- Since 2008, consumers have been consistently under-investing their discretionary income in home & furnishings.
- In the last year, consumers have invested a slightly larger portion of their discretionary income in the category, although their spending as a percent of share of wallet has still not returned to pre-Great Recession levels.
- We expect that consumer spending in home & furnishings will continue to be strong.

Source: Economic Research Division of the Federal Reserve Bank of St. Louis
The 2021 data is not available as of the time of this filing.

Competitive Advantages

- Worldwide omni-channel presence
- Iconic brand and product portfolio
- World-class manufacturing capabilities
- Industry-leading balance sheet and free cash flow[2]

Full Year Adjusted EPS[2]



Adjusted earnings per share[2] has grown at a CAGR of 40% over the last 5 years.

TEMPUR+SEALY

Brands and Capabilities

Product Brands
Mattresses / Pillows / Accessories

- TEMPUR-PEDIC
- Sealy
- STEARNS & FOSTER

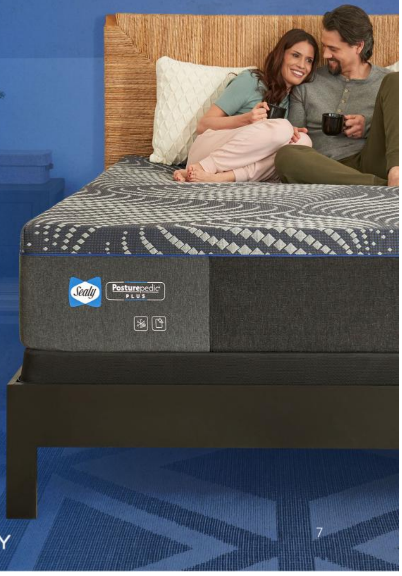
DTC Retailer Brands
Online / Offline

- TEMPUR-PEDIC
- SLEEP OUTFITTERS ESTABLISHED 1983
- SOVA
- Dreams
- Sealy Sleep Boutique — Experience the benefits of superior sleep

Manufacturing
Branded / OEM

- TEMPUR-PEDIC
- Sealy
- BF
- SHERWOOD BEDDING
- comfort revolution

Building Blocks to Future Growth



Execute on capital allocation strategy.

Invest in innovation to meet customer demand.

Increase total addressable market internationally through new product launches in Europe & APAC.

Expand into OEM market to drive further sales growth.

Expand direct-to-consumer through ecommerce and company-owned stores.

Grow wholesale through existing and new retail relationships.

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TEMPUR + SEALY

Worldwide Omni-Channel

Powerful Omni-Distribution Platform

Wholesale

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

Ecommerce

- Significant worldwide sales growth
- Highly profitable and expanding rapidly

Company-Owned Stores

- Luxury Tempur-Pedic®, Dreams, and multi-branded showroom experiences
- Operate over 650 stores worldwide with sales growth opportunity
- Highly profitable

Wholesale

Third-Party Retailers

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

U.S. OEM Opportunity

- OEM is about 20% of the U.S. mattress market and growing,[1] supported by recent U.S. anti-dumping actions
- Leverages manufacturing expertise, diversifies consolidated sales stream, and extends manufacturing profits beyond our own brands
- Plans to invest an incremental $200 million by 2023 to increase U.S. pouring capacity for TEMPUR® Material and specialty and base foam by approximately 50%
- Targeting $600 million of annual sales by 2025

Direct to Consumer

- High growth and high margin sales from web, call center, and company-owned stores
- Strong growth within the direct channel, growing 83% in 2021

OPERATING OVER 650 RETAIL STORES GLOBALLY

Company-Owned Store Strategy

Tempur-Pedic® U.S.

Dreams UK

Tempur-Pedic® Mexico

Sealy® Gallery Asia

Sleep Outfitters® U.S.

TEMPUR® Europe

SOVA® Sweden

We see a potential opportunity to organically increase our store count through opening an average of 60 new stores per year over the next several years.

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Brands & Products

North America Markets

- The bedding market has historically experienced consistent growth. While our share has grown significantly over the last 5 years, the total market share of the largest three domestic bedding manufacturers has not materially changed.[1]
- Branded bedding represents the majority of products sold, especially in premium price points.
    - **Sealy® and Tempur-Pedic® represent the #1 and #2 bestselling mattress brands in 2020[3].**

International Markets

- Highly fragmented with broad geographic diversity across Europe and Asia
- Acquired Dreams, the leading bedding retailer in the UK in 2021
- Developing new TEMPUR® line of mattresses to expand addressable market in 2022
- Tempur Sealy customizes go-to market approach by country
    - Europe: success with high-quality products, targeting share growth through distribution, and new Sealy®-UK joint venture and Dreams acquisition
    - Asia: opportunity in emerging market and targeting aggressive share growth through distribution and organic market growth

Rapidly Growing
International Joint Ventures
$340 MILLION OF JOINT VENTURE SALES IN 2021
5-YEAR GROWTH CAGR: 17%
United Kingdom
• Acquired in 2020
• Full-time employees: 250+
Asia
• Founded in 2000
• Operates in 21 countries and territories
• Top 3 internationally branded bedding manufacturer in China
• Full-time employees: 1,100+
TEMPUR+SEALY
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Expanding Global Licensing Sales

Brand Extension Licensees:

- We license our Tempur-Pedic, Sealy and Stearns & Foster brands across North America, Europe and Asia, to drive incremental profits and expand brand awareness
- Licensed products are complementary to our core operations, and include sleep-adjacent categories such as bedding, pajamas, and pet sleep

Sealy Manufacturing Licensees:

- Our 27 licensee manufacturing facilities generate high return on investment.
- They represent a low-risk opportunity to introduce our brands and products in regions in which we do not currently operate, primarily across EMEA, APAC, and Latin America.

Significantly increases global brand awareness and drives incremental profits.

Portfolio of Global Brands

Tempur-Pedic®: leading worldwide premium bedding industry position

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

$2,399-$7,999

Stearns & Foster®: high-end-targeted brand

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

$1,899-$5,399

Sealy®: #1 bedding brand in the U.S.[3]

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

$299-$2,799

Private Label Offerings: customized product

- Offers products for the value-oriented consumer.

SOLUTION-DRIVEN INNOVATION FOR TODAY'S CONSUMER

Innovative Technologies

- Snoring
- Support
- Climate
- Sleep-Health Metrics
- Natural
- Comfort

International 2022 TEMPUR® Launch

- Expect to launch an entirely new product lineup for TEMPUR® in both the Europe and Asia-Pacific markets beginning in 2022.
- The underlying technology of the new lineup builds on the innovation that has already been very well received in North America.
- This new lineup will also broaden the price range of our international offerings to appeal to a broader consumer base.
- We expect these new products and the broadened price points to expand our total international addressable market and help us grow our market share in regions where our brands are currently underpenetrated.[1]

U.S. Product Launch Cycle

TEMPUR-PEDIC

Our innovation cycle allows for the development of meaningful, consumer-centric products, while also reducing floor conversion costs.

Sealy

STEARNS & FOSTER

Featuring Industry-Leading Technologies

SealyChill™

Surface-Guard Technology™

ESSENTIALS™

POSTUREPEDIC®

Launched in 2021

POSTUREPEDIC® PLUS

Launching in 2022


TEMPUR+SEALY
World-Class
Manufacturing
Capabilities
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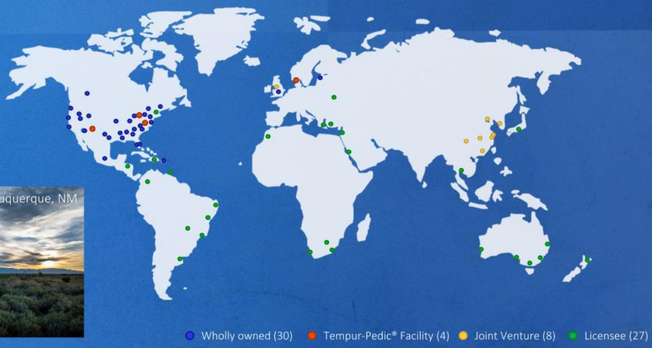
World-Class Manufacturing Capabilities

31 NORTH AMERICAN FACILITIES | 38 INTERNATIONAL FACILITIES



R&D Innovation

- 75,000 square feet of research & development
- 4 state-of-the art product-testing locations

Leading Manufacturing Capabilities

- 67 manufacturing facilities
- 16 million square feet of manufacturing & distribution operations

Expanding Manufacturing Capacity

Specialty Foam-Pouring Facilities

- Opening a new, state-of-the-art Tempur-Pedic® and OEM foam-pouring facility in Indiana by 2023
- Expanding three existing foam facilities in the U.S. by 2023
- Increasing capacity to hold key chemical inputs and expand safety stock of certain products

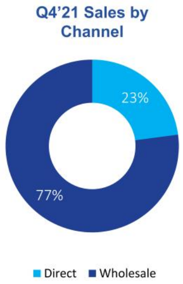
Assembly & Warehousing

- Opened a fifth Sherwood plant in the Northeast U.S. in the fourth quarter of 2021
- Opened new facility in Reno, Nevada, in the third quarter of 2021 to service the western region of the U.S.
- Expanding our total warehouse footprint

TEMPUR+SEALY

Recent Performance

Fourth-Quarter and Full Year Performance



(in millions, except percentages and per common share amounts)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Three Months Ended Reported % Change	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended Reported % Change
Net Sales	$1,359.6	$1,057.0	28.6%	$4,930.8	$3,676.9	34.1%
Net Income	$175.8	$144.7	21.5%	$624.5	$348.8	79.0%
Adjusted Net Income[2]	$175.9	$143.2	22.8%	$651.7	$405.7	60.6%
EPS	$0.88	$0.67	31.3%	$3.06	$1.64	86.6%
Adjusted EPS[2]	$0.88	$0.67	31.3%	$3.19	$1.91	67.0%

2022 Outlook[1]

- Full-year adjusted EPS[2] between $3.65 and $3.85. This includes the expected benefit from strong year-over-year sales growth of between 15% to 20%.
- This includes investments of:
  - Approximately $50 million in expense related to new product launches
  - A record $550 million of advertising dollars
- We expect to repurchase at least 10% of our shares outstanding in 2022.

2022 Other Modeling Assumptions	
Depreciation & Amortization	$195M-$205M
Capital Expenditures	$250M–$280M
Interest Expense	$85M-$90M
U.S. Federal Tax Rate	25%
Diluted Share Count	183M shares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Industry-Leading
Balance Sheet
& Cash Flow
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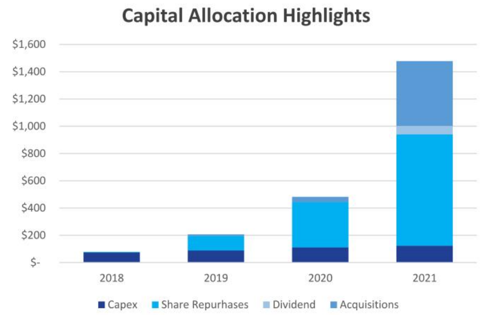
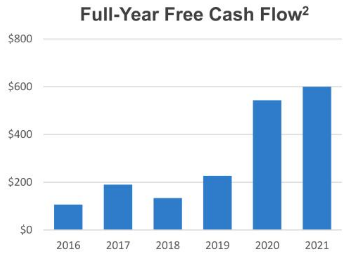
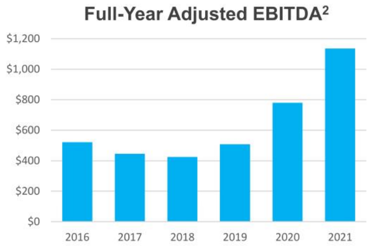
Balanced Capital Allocation Strategy

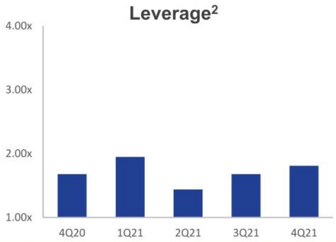
- Long-term target leverage ratio of 2.0 – 3.0x[2]
- Continue to invest in the business, including a new domestic foam-pouring plant to be operational in 2023
- Disciplined approach to shareholder returns includes a quarterly dividend and expected share repurchase of at least 10% of our shares outstanding in 2022
- Maintain capacity for strategic acquisitions



Strong Balance Sheet & Cash Flow







Credit ratings:

Fitch: BB+ (August 2021)
Moody's: Ba1 (September 2021)
S&P: BB+ (September 2021)


TEMPUR+SEALY
Environmental, Social, &
Corporate Governance
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Environmental, Social, & Governance

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

Environmental, Social, & Governance

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

Environmental

- Committed to achieving carbon neutrality for our wholly owned global operations by 2040
- Achieved an 8.4% reduction in greenhouse gas emissions per unit produced at our wholly owned manufacturing and logistics operations in 2020
- Improved the percentage of waste diverted from our North American wholly-owned manufacturing operations to 94% in 2021, compared to 91% in 2020, furthering our progress towards our goal of achieving zero landfill waste by the end of 2022
- Completed the installation of solar panel technology at our largest manufacturing facility in Albuquerque, New Mexico in 2021

Social

- Embedded ESG performance as a metric in executive leadership's compensation for 2021
- In 2022, we expect to launch a Sealy®-branded eco-friendly mattress collection made with responsibly sourced materials
- Contributed over $100 million in product, stock, and cash to charity organizations since 2010
- Pledged $2 million to support a pediatric sleep center

Corporate Governance

- Established Nominating Corporate Governance Committee oversight on our practices and positions relating to ESG issues
- Increased the number of women represented on our Board of Directors to 3 directors, representing 33% of the Board

Corporate Social Value Highlights

Tempur Sealy has donated…

~$100M	$11.5M	17,500+
in product over the last 10 years	in cash and stock value over the last 5 years	products to aid in the COVID-19 crisis

Ranked a
"Strong Buy with the Best ESG Score"
by Raymond James

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

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

Thank You for Your Interest in Tempur Sealy International

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

Appendix

Forward-Looking Statements

This investor presentation contains statements relating to the Company's quarterly cash dividend, the Company's share repurchase targets, the Company's expectations regarding net sales for 2022, adjusted EBITDA for 2022, and adjusted EPS for 2022 and subsequent periods and the Company's expectations for increasing sales growth, product launches, channel growth, acquisitions and commodities outlook, and expectations regarding supply chain disruptions, the macroeconomic environment and COVID-related disruptions. Any forward-looking statements contained herein are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

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

<u>Note Regarding Historical Financial Information:</u>
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.

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

<u>Limitations on Guidance:</u> The guidance included herein is from the Company's press release and related earnings call on February 22, 2022. 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, adjusted EPS, EBITDA, adjusted EBITDA, free cash flow, consolidated indebtedness less netted cash, and leverage, which are not recognized terms under U.S. Generally Accepted Accounting Principles ("GAAP") and do not purport to be alternatives to net income and earnings per share as a measure of operating performance, an alternative to cash provided by operating activities as a measure of liquidity, or an alternative to total debt. The Company believes these non-GAAP measures provide investors with performance measures that better reflect the Company's underlying operations and trends, including trends in changes in margin and operating expenses, providing a perspective not immediately apparent from net income and operating income. The adjustments management makes to derive the non-GAAP measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP measure, but which management does not consider to be the fundamental attributes or primary drivers of the Company's business.

The Company believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying results from continuing operations and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and management incentive goals, and to provide continuity to investors for comparability purposes. Limitations associated with the use of these non-GAAP measures include that these measures do not present all 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 per credit facility (which we refer to in this investor presentation as adjusted EBITDA) is provided on the subsequent slides. Management believes that the use of EBITDA and adjusted EBITDA per credit facility provides investors with useful information with respect to the Company's operating performance and comparisons from period to period as well as the Company's compliance with requirements under its credit agreement.

Adjusted Net Income

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

Leverage

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

Free Cash Flow

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

Full Year Adjusted Net Income and Adjusted EPS

(in millions, except per common share amounts)	Year Ended December 31, 2021		Year Ended December 31, 2020	
Net income	$	624.5	$	348.8
Loss from discontinued operations, net of tax [1]		0.7		—
Loss on extinguishment of debt [2]		23.0		5.1
Acquisition-related costs [3]		6.2		—
Overlapping interest expense [4]		5.2		—
Aspirational plan amortization [5]		—		49.4
Customer-related charges [6]		—		11.7
Incremental operating costs [7]		—		7.2
Asset impairments [8]		—		7.0
Restructuring costs [9]		—		3.8
Accounting standard adoption [10]		—		3.6
Aspirational plan employer costs [11]		—		2.3
Facility expansion costs [12]		—		0.6
Other income [13]		—		(2.3)
Tax adjustments [14]		(7.9)		(31.5)
Adjusted net income	$	651.7	$	405.7
Adjusted earnings per share, diluted	$	3.19	$	1.91
Diluted shares outstanding		204.3		212.3

Full Year Adjusted Net Income and Adjusted EPS

(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 year ended December 31, 2021, we recognized $23.0 million of loss on extinguishment of debt associated with the redemption of the 2026 and 2023 senior notes. In the year ended December 31, 2020, we recognized $5.1 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes and the early repayment of the 364-day term loan.

(3) In the year ended December 31, 2021, we recognized $6.2 million of acquisition-related costs, primarily related to legal and professional fees and stamp taxes associated with the acquisition of Dreams.

(4) In the year ended December 31, 2021, we incurred $5.2 million of overlapping interest expense during the period between the issuance of the 2029 Senior Notes and the redemption of the 2026 Senior Notes.

(5) In the year ended December 31, 2020, we recognized $49.4 million which represented the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020 and the remaining requisite service period in the fourth quarter of 2020.

(6) In the year ended December 31, 2020, we 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.

(7) In the year ended December 31, 2020, we recorded $7.2 million of incremental operating costs and charges associated with the global pandemic. Cost of sales included $4.5 million of costs for relief efforts, increased sanitation supplies and services and other items. Operating expenses included $2.7 million of charges related to increased sanitation supplies and services.

(8) In the year ended December 31, 2020, we recorded $7.0 million of asset impairment charges related to the write-off of certain sales and marketing assets.

(9) In the year ended December 31, 2020, we incurred $3.8 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment.

(10) In the year ended December 31, 2020, we recorded $3.6 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within its covenant compliance calculation.

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

(12) In the year ended December 31, 2020, we recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

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

(14) Adjusted income tax provision represents the tax effects associated with the aforementioned items and discrete income tax events. In the fourth quarter of 2020, we recorded a $9.5 million discrete income tax benefit upon the vesting of our long-term aspirational plan awards.

Q4 Adjusted Net Income and Adjusted EPS

(in millions, except per share amounts)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Net income	$ 175.8	$ 144.7
Loss from discontinued operations, net of tax (1)	0.1	1.3
Aspirational plan amortization (2)	—	4.2
Loss on extinguishment of debt (3)	—	4.2
Aspirational plan employer costs (4)	—	2.3
Other income (5)	—	(2.3)
Tax adjustments (6)	—	(11.2)
Adjusted net income	$ 175.9	$ 143.2
Adjusted earnings per share, diluted	$ 0.88	$ 0.67
Diluted shares outstanding	199.8	214.1

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

(2) In the fourth quarter of 2020, the Company recognized $4.2 million of performance-based stock compensation amortization related to the Company's long-term aspirational awards. In the year ended December 31, 2020, the Company recognized $49.4 million which represented the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020 and the remaining requisite service period in the fourth quarter of 2020.

(3) In the fourth quarter of 2020, the Company recognized $4.2 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes. In the year ended December 31, 2020, the Company recognized $5.1 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes and the early repayment of the 364-day term loan. In the year ended December 31, 2021, the Company recognized $23.0 million of loss on extinguishment of debt associated with the redemption of the 2026 and 2023 senior notes.

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

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

Full Year Adjusted EBITDA

(in millions)	Year Ended December 31, 2021		Year Ended December 31, 2020	
Net income	$	624.5	$	348.8
Interest expense, net		61.1		77.0
Overlapping interest expense [1]		5.2		—
Loss on extinguishment of debt [2]		23.0		5.1
Income tax provision		198.3		102.6
Depreciation and amortization		176.6		154.9
Aspirational plan amortization [3]		—		49.4
EBITDA	$	1,088.7	$	737.8
Adjustments:				
Loss from discontinued operations, net of tax [4]		0.7		—
Acquisition-related costs [5]		6.2		—
Earnings from Dreams/Sherwood prior to acquisition [6]		40.3		0.3
Customer-related charges [7]		—		11.7
COVID-19 charges [8]		—		7.9
Incremental operating costs [9]		—		7.2
Asset impairments [10]		—		7.0
Restructuring costs [11]		—		3.8
Accounting standard adoption [12]		—		3.6
Aspirational plan employer costs [13]		—		2.3
Facility expansion costs [14]		—		0.6
Other income [15]		—		(2.3)
Adjusted EBITDA	$	1,135.9	$	779.9
Consolidated indebtedness less netted cash	$	2,053.7	$	1,306.7
Ratio of consolidated indebtedness less netted cash to adjusted EBITDA		1.81 times		1.68 times

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Full Year Adjusted EBITDA

(1) In the year ended December 31, 2021, we incurred $5.2 million of overlapping interest expense during the period between the issuance of the 2029 Senior Notes and the redemption of the 2026 Senior Notes.

(2) In the year ended December 31, 2021, we recognized $23.0 million of loss on extinguishment of debt associated with the redemption of the 2026 and 2023 senior notes. In the year ended December 31, 2020, we recognized $5.1 million of loss on extinguishment of debt associated with the redemption of the 2023 senior notes and the early repayment of the 364-day term loan.

(3) In the year ended December 31, 2020, we recognized $49.4 million which represented the cumulative catch-up adjustment for the long-term aspirational awards that became probable of vesting during the third quarter of 2020 and the remaining requisite service period in the fourth quarter of 2020.

(4) 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.

(5) In the year ended December 31, 2021, we recognized $6.2 million of acquisition-related costs, primarily related to legal and professional fees and stamp taxes associated with the acquisition of Dreams.

(6) We completed the acquisition of Dreams on August 2, 2021 and designated this subsidiary as restricted under the 2019 Credit Agreement. For covenant compliance purposes, we included $40.3 million of EBITDA from this subsidiary for the seven months prior to acquisition in our calculation of adjusted EBITDA for the year ended December 31, 2021. We 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, we included $0.3 million of EBITDA from this subsidiary for the one month prior to acquisition in our calculation of adjusted EBITDA for the trailing twelve months ended December 31, 2020.

(7) In the year ended December 31, 2020, we 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.

(8) In the year ended December 31, 2020, adjusted EBITDA excluded $7.9 million of COVID-19 charges associated with temporarily closed company-owned retail stores and sales force retention costs.

(9) In the year ended December 31, 2020, we recorded $7.2 million of incremental operating costs and charges associated with the global pandemic. Cost of sales included $4.5 million of costs for relief efforts, increased sanitation supplies and services and other items. Operating expenses included $2.7 million of charges related to increased sanitation supplies and services.

(10) In the year ended December 31, 2020, we recorded $7.0 million of asset impairment charges related to the write-off of certain sales and marketing assets.

(11) In the year ended December 31, 2020, we incurred $3.8 million of restructuring costs associated with International headcount reductions driven by the macro-economic environment.

(12) In the year ended December 31, 2020, we recorded $3.6 million of charges related to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)". As permitted by the 2019 Credit Agreement, we elected to eliminate the effect of this accounting change within its covenant compliance calculation.

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

(14) In the year ended December 31, 2020, we recorded $0.6 million of costs related to the opening of a Sealy manufacturing facility.

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

Leverage Reconciliation

(in millions)	December 31, 2021	December 31, 2020
Total debt, net	$ 2,331.5	$ 1,366.9
Plus: Deferred financing costs [(1)]	21.7	3.4
Consolidated indebtedness	2,353.2	1,370.3
Less: Netted cash [(2)]	299.5	63.6
Consolidated indebtedness less netted cash	$ 2,053.7	$ 1,306.7

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

(2) Netted cash includes cash and cash equivalents for domestic and foreign subsidiaries designated as restricted subsidiaries in the 2019 Credit Agreement.

*For a reconciliation of leverage to total debt, net for reporting periods in the years 2016-2021, please refer to the Company's SEC filings.

Footnotes

[1] Management estimates

[2] Adjusted net income, EBITDA, adjusted EBITDA, adjusted EPS, leverage, free cash flow, and constant currency are non-GAAP financial measures. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" on a previous slide for more information regarding the definitions of adjusted net income, EBITDA, adjusted EBITDA, adjusted EPS, leverage, free cash flow, and constant currency, including the adjustments (as applicable) from the corresponding GAAP information. Please refer to "Forward-Looking Statements" and "Limitations on Guidance" on a previous slide.

[3] Sealy® was ranked number one on Furniture Today's list of the Top 20 U.S. Bedding Producers in June 2021. See Furniture Today's Top 20 U.S. Bedding Producers methodology that includes Sealy® and Stearns & Foster® products in Sealy ranking. Tempur-Pedic® was ranked number two on Furniture Today's list of the Top 20 U.S. Bedding Producers in June 2021.

[4] Based on the Company's 2022 financial targets provided in the press release dated February 22, 2022, and the related earnings call on February 22, 2022. Please refer to "Forward-Looking Statements" and "Limitations on Guidance."

Thank You