
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **January 24, 2012**

TEMPUR-PEDIC INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-31922
(Commission File Number)

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

1713 Jaggie Fox 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 (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 2.02 Results from Operations and Financial Condition

On January 24, 2012, Tempur-Pedic International Inc. issued a press release to announce its financial results for the fourth quarter and year ended December 31, 2011, announced a \$250 million share repurchase program and issued financial guidance for 2012. A copy of the press release is attached as Exhibit 99.1 to this current report on Form 8-K and is incorporated herein by reference.

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 7.01 Regulation FD Disclosure

The information furnished under Item 2.02 of this Form 8-K (including Exhibit 99.1 furnished herewith) is hereby incorporated by reference under this Item 7.01 as if fully set forth herein.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|----------------|---|
| <u>99.1</u> | <u>Press Release dated January 24, 2012, entitled “Tempur-Pedic Reports Record Fourth Quarter and Full Year Sales and Earnings”</u> |

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.

January 24, 2012

Tempur-Pedic International Inc.

By: /s/ DALE E. WILLIAMS

Dale E. Williams

Executive Vice President & Chief Financial Officer

EXHIBIT LIST

| Exhibit | Description |
|-------------|--|
| <u>99.1</u> | Press Release dated January 24, 2012, entitled "Tempur-Pedic Reports Record Fourth Quarter and Full Year Sales and Earnings" |



TEMPUR-PEDIC REPORTS RECORD FOURTH QUARTER AND FULL YEAR SALES AND EARNINGS

- *Reports Fourth Quarter Sales Up 25% and EPS Up 27% at \$0.84*
- *Announces New \$250.0 Million Share Repurchase Program*
- *Issues Financial Guidance For 2012*

LEXINGTON, KY, January 24, 2012 – Tempur-Pedic International Inc. (NYSE: TPX), the leading manufacturer, marketer and distributor of premium mattresses and pillows worldwide, today announced financial results for the fourth quarter and year ended December 31, 2011. The Company also announced a \$250 million share repurchase program and issued financial guidance for 2012.

FOURTH QUARTER FINANCIAL SUMMARY

- Earnings per diluted share (EPS) were \$0.84 in the fourth quarter of 2011 as compared to EPS of \$0.66 per diluted share in the fourth quarter of 2010. The Company reported net income of \$56.3 million for the fourth quarter of 2011 as compared to net income of \$46.3 million in the fourth quarter of 2010.
- Net sales increased 25% to \$366.8 million in the fourth quarter of 2011 from \$292.7 million in the fourth quarter of 2010. On a constant currency basis, net sales increased 24%. Net sales in the North American segment increased 26% and international segment net sales increased 25%. On a constant currency basis, international segment net sales increased 21%.
- Mattress sales increased 26% globally. Mattress sales increased 24% in the North American segment and increased 33% in the international segment. On a constant currency basis, international mattress sales increased 29%. Pillow sales increased 16% globally. Pillow sales increased 15% in North America and 17% internationally. On a constant currency basis, international pillow sales increased 13%.
- Gross profit margin was 52.1% as compared to 51.9% in the fourth quarter of 2010. The gross profit margin increased as a result of favorable mix, improved efficiencies in manufacturing and distribution, and fixed cost leverage related to higher production volumes, partially offset by higher commodity costs and costs associated with US shipments to support the Company's Danish manufacturing facility.
- Operating profit margin was 23.4% as compared to 24.5% in the fourth quarter of 2010 reflecting the Company's strategic investments to drive growth, including brand advertising.
- The Company generated \$69.7 million of operating cash flow as compared to \$44.5 million in the fourth quarter of 2010.
- During the fourth quarter of 2011, the Company purchased 2.3 million shares of its common stock for a total cost of \$128.5 million.

FULL YEAR FINANCIAL SUMMARY

- Earnings per share (EPS) were \$3.18 per diluted share for the full year 2011 as compared to EPS of \$2.16 per diluted share for the full year 2010. The Company reported net income of \$219.6 million for the full year 2011 as compared to net income of \$157.1 million for the full year 2010.
- Net sales increased 28% to \$1,417.9 million for the full year 2011 from \$1,105.4 million for the full year 2010. On a constant currency basis, net sales increased 25%. Net sales in the North American segment increased 30% and international segment net sales increased 24%. On a constant currency basis, international segment net sales increased 16%.
- Gross profit margin was 52.4% for the full year 2011 as compared to 50.2% for the full year 2010. The gross profit margin increased as a result of favorable mix, improved efficiencies in manufacturing and distribution, and fixed cost leverage related to higher production volumes, partially offset by higher commodity costs, new product introductions, and costs associated with US shipments to support the Company's Danish manufacturing facility.
- Operating profit margin was 24.0% as compared to 22.2% for the full year 2010.
- The Company generated \$248.7 million of operating cash flow as compared to \$184.1 million for the full year 2010.
- During 2011, the Company purchased 6.5 million shares of its common stock for a total cost of \$368.5 million.

Chief Executive Officer Mark Sarvary commented, "In 2011, we delivered strong financial performance, strengthened our competitiveness and implemented a range of strategic growth initiatives. Over the next year, we plan to increase our rate of investment in areas that will drive growth including a major new product launch, increased advertising, and expanded distribution. In addition, to ensure Tempur continues to deliver the best sleep, our R&D team is focused on executing a broad technology strategy that includes a focus on improving existing product performance and lowering costs as well as another major new product launch in 2013."

Share Repurchase Program

The Company announced the Board of Directors has authorized a new share repurchase program of up to \$250.0 million. This share repurchase program replaces the Company's prior share repurchase authorization, and may be limited, suspended or terminated at any time without prior notice. Stock repurchases under this program may be made through open market transactions, negotiated purchases or otherwise, at times and in such amounts as management and a committee of the Board deem appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, financing and regulatory requirements and other market conditions. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws.

Financial Guidance

The Company issued full year 2012 guidance for net sales and earnings per share. It currently expects net sales for 2012 to range from \$1.60 billion to \$1.65 billion. It currently expects EPS for 2012 to range from \$3.80 to \$3.95 per diluted share. The Company noted its expectations are based on information available at the time of this release, and are subject to changing conditions, many of which are outside the Company's control. The Company noted its EPS guidance does not assume any benefit from a potential reduction in shares outstanding related to its share repurchase program.

Conference Call Information

Tempur-Pedic International will host a live conference call to discuss financial results today, January 24, 2012 at 5:00 p.m. Eastern Time. The dial-in number for the conference call is 800-850-2903. The dial-in number for international callers is 224-357-2399. The call is also being webcast and can be accessed on the investor relations section of the Company's website, <http://www.tempurpedic.com>. After the conference call, a webcast replay will remain available on the investor relations section of the Company's website for 30 days.

Forward-looking Statements

This release contains "forward-looking statements," within the meaning of federal securities laws, which include information concerning one or more of the Company's plans, objectives, goals, strategies, and other information that is not historical information. When used in this release, the words "estimates," "expects," "anticipates," "projects," "plans," "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 potential to grow sales and earnings over the long term and expectations for net sales and earnings per share for 2012. 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.

There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained in this release. 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. These risk factors include general economic, financial and industry conditions, particularly in the retail sector, as well as consumer confidence and the availability of consumer financing; uncertainties arising from global events; the effects of changes in foreign exchange rates on the Company's reported 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; the Company's ability to expand brand awareness, distribution and new products in international markets; the Company's ability to continuously improve and expand its product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; the effects of strategic investments on our operations; changes in foreign tax rates, including the ability to utilize tax loss carry forwards; and rising commodity costs. 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 Annual Report on Form 10-K 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.

About the Company

Tempur-Pedic International Inc. (NYSE: TPX) manufactures and distributes mattresses and pillows made from its proprietary TEMPUR(R) pressure-relieving material. It is the worldwide leader in premium and specialty sleep. The Company is focused on developing, manufacturing and marketing advanced sleep surfaces that help improve the quality of life for people around the world. The Company's products are currently sold in over 80 countries under the TEMPUR(R) and Tempur-Pedic(R) brand names. World headquarters for Tempur-Pedic International is in Lexington, KY. For more information, visit <http://www.tempurpedic.com> or call 800-805-3635.

Investor Relations Contact:

Tempur-Pedic International
800-805-3635
Investor.relations@Tempurpedic.com

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per common share amounts)

| | Three Months Ended December 31, | | Chg % | Twelve Months Ended December 31, | | Chg % |
|---|------------------------------------|------------|-------|-------------------------------------|--------------|-------|
| | 2011 | 2010 | | 2011 | 2010 | |
| Net sales | \$ 366,803 | \$ 292,703 | 25.3% | \$ 1,417,938 | \$ 1,105,421 | 28.3% |
| Cost of sales | 175,635 | 140,880 | | 674,848 | 549,994 | |
| Gross profit | 191,168 | 151,823 | 25.9% | 743,090 | 555,427 | 33.8% |
| Selling and marketing expenses | 72,081 | 53,449 | | 276,870 | 199,722 | |
| General, administrative and other expenses | 33,273 | 26,766 | | 125,689 | 109,803 | |
| Operating income | 85,814 | 71,608 | 19.8% | 340,531 | 245,902 | 38.5% |
| Other expense, net: | | | | | | |
| Interest expense, net | (3,498) | (3,458) | | (11,948) | (14,501) | |
| Other income (expense), net | 758 | 32 | | (192) | (536) | |
| Total other expense | (2,740) | (3,426) | | (12,140) | (15,037) | |
| Income before income taxes | 83,074 | 68,182 | 21.8% | 328,391 | 230,865 | 42.2% |
| Income tax provision | 26,759 | 21,890 | | 108,783 | 73,720 | |
| Net income | \$ 56,315 | \$ 46,292 | | \$ 219,608 | \$ 157,145 | |
| Earnings per common share: | | | | | | |
| Basic | \$ 0.86 | \$ 0.68 | | \$ 3.27 | \$ 2.23 | |
| Diluted | \$ 0.84 | \$ 0.66 | | \$ 3.18 | \$ 2.16 | |
| Weighted average common shares outstanding: | | | | | | |
| Basic | 65,113 | 68,220 | | 67,070 | 70,348 | |
| Diluted | 66,953 | 70,619 | | 69,149 | 72,792 | |

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)

| | December 31, 2011 | December 31, 2010 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 111,367 | \$ 53,623 |
| Accounts receivable, net | 142,412 | 115,630 |
| Inventories | 91,212 | 69,856 |
| Prepaid expenses and other current assets | 20,088 | 18,646 |
| Deferred income taxes | 14,391 | 13,725 |
| Total Current Assets | 379,470 | 271,480 |
| Property, plant and equipment, net | 160,502 | 159,807 |
| Goodwill | 213,273 | 212,468 |
| Other intangible assets, net | 66,491 | 68,745 |
| Other non-current assets | 8,904 | 3,503 |
| Total Assets | \$ 828,640 | \$ 716,003 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 69,936 | \$ 48,288 |
| Accrued expenses and other current liabilities | 92,737 | 85,469 |
| Income taxes payable | 20,506 | 12,477 |
| Total Current Liabilities | 183,179 | 146,234 |
| Long-term debt | 585,000 | 407,000 |
| Deferred income taxes | 24,227 | 32,315 |
| Other non-current liabilities | 5,443 | 4,421 |
| Total Liabilities | 797,849 | 589,970 |
| Stockholders' Equity: | | |
| Common stock, \$0.01 par value; 300,000 shares authorized; 99,215 shares issued as of December 31, 2011 and 2010 | 992 | 992 |
| Additional paid in capital | 361,807 | 320,952 |
| Retained earnings | 742,480 | 522,872 |
| Accumulated other comprehensive loss | (14,686) | (6,188) |
| Treasury stock at cost; 35,445 and 30,731 shares as of December 31, 2011 and 2010, respectively | (1,059,802) | (712,595) |
| Total Stockholders' Equity | 30,791 | 126,033 |
| Total Liabilities and Stockholders' Equity | \$ 828,640 | \$ 716,003 |

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

| | Twelve Months Ended December 31, | |
|---|-------------------------------------|------------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 219,608 | \$ 157,145 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 34,295 | 32,361 |
| Amortization of stock-based compensation | 16,693 | 11,608 |
| Amortization of deferred financing costs | 1,034 | 690 |
| Bad debt expense | 1,563 | 531 |
| Deferred income taxes | (8,528) | 4,946 |
| Foreign currency adjustments and other | 1,248 | (465) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (30,198) | (12,752) |
| Inventories | (18,473) | (6,710) |
| Prepaid expense and other current assets | (2,772) | (6,519) |
| Accounts payable | 21,675 | (1,145) |
| Accrued expenses and other | 3,867 | (370) |
| Income taxes payable | 8,694 | 4,802 |
| Net cash provided by operating activities | <u>248,706</u> | <u>184,122</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of business, net of cash acquired | (4,566) | (18,692) |
| Acquisition of trademarks and other | (2,044) | (684) |
| Purchases of property, plant and equipment | (29,466) | (18,141) |
| Net cash used by investing activities | <u>(36,076)</u> | <u>(37,517)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from long-term revolving credit facility | 821,500 | 308,836 |
| Repayments of long-term revolving credit facility | (643,500) | (197,813) |
| Payments of deferred finance costs | (6,217) | — |
| Proceeds from issuance of common stock | 26,256 | 28,551 |
| Excess tax benefit from stock-based compensation | 19,192 | 5,590 |
| Treasury shares repurchased | (365,928) | (250,000) |
| Other | (173) | (1,540) |
| Net cash used by financing activities | <u>(148,870)</u> | <u>(106,376)</u> |
| NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>(6,016)</u> | <u>(648)</u> |
| Increase in cash and cash equivalents | 57,744 | 39,581 |
| CASH AND CASH EQUIVALENTS, beginning of period | 53,623 | 14,042 |
| CASH AND CASH EQUIVALENTS, end of period | <u>\$ 111,367</u> | <u>\$ 53,623</u> |

Summary of Channel Sales

The following table highlights net sales information, by channel and by segment:

(In thousands)

| | CONSOLIDATED | | NORTH AMERICA | | INTERNATIONAL | |
|-------------|------------------------------------|-------------------|------------------------------------|-------------------|------------------------------------|------------------|
| | Three Months Ended December 31, | | Three Months Ended December 31, | | Three Months Ended December 31, | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Retail | \$ 319,334 | \$ 254,565 | \$ 225,197 | \$ 180,756 | \$ 94,137 | \$ 73,809 |
| Direct | 28,609 | 19,184 | 21,143 | 14,718 | 7,466 | 4,466 |
| Healthcare | 8,987 | 9,212 | 2,953 | 3,090 | 6,034 | 6,122 |
| Third Party | 9,873 | 9,742 | — | — | 9,873 | 9,742 |
| | <u>\$ 366,803</u> | <u>\$ 292,703</u> | <u>\$ 249,293</u> | <u>\$ 198,564</u> | <u>\$ 117,510</u> | <u>\$ 94,139</u> |

Summary of Product Sales

The following table highlights net sales information, by product and by segment:

(In thousands)

| | CONSOLIDATED | | NORTH AMERICA | | INTERNATIONAL | |
|------------|------------------------------------|-------------------|------------------------------------|-------------------|------------------------------------|------------------|
| | Three Months Ended December 31, | | Three Months Ended December 31, | | Three Months Ended December 31, | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Mattresses | \$ 238,590 | \$ 188,732 | \$ 166,009 | \$ 134,186 | \$ 72,581 | \$ 54,546 |
| Pillows | 43,971 | 37,934 | 22,067 | 19,234 | 21,904 | 18,700 |
| Other | 84,242 | 66,037 | 61,217 | 45,144 | 23,025 | 20,893 |
| | <u>\$ 366,803</u> | <u>\$ 292,703</u> | <u>\$ 249,293</u> | <u>\$ 198,564</u> | <u>\$ 117,510</u> | <u>\$ 94,139</u> |

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Reconciliation of EBITDA to Net Income and Total debt to Funded debt
Non-GAAP Measures
(In thousands)

The Company provides information regarding Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and Funded debt which are not recognized terms under U.S. GAAP (Generally Accepted Accounting Principles) and do not purport to be alternatives to Net income as a measure of operating performance or Total debt. A reconciliation of EBITDA to the Company's Net income and a reconciliation of Total debt to Funded debt are provided below. Management believes that the use of EBITDA and Funded debt provides investors with useful information with respect to the terms of the Company's credit facility.

Reconciliation of Net income to EBITDA

The following table sets forth the reconciliation of the Company's reported Net income to the calculation of EBITDA for the twelve months ended December 31, 2011:

| | Twelve Months Ended December 31, 2011 |
|-----------------------------|--|
| GAAP Net income | \$ 219,608 |
| Plus: | |
| Interest expense | 11,948 |
| Income taxes | 108,783 |
| Depreciation & Amortization | 50,988 |
| EBITDA | \$ 391,327 |

Reconciliation of Total debt to Funded debt

The following table sets forth the reconciliation of the Company's reported Total debt to the calculation of Funded debt as of December 31, 2011:

| | As of December 31, 2011 |
|-------------------------------|--|
| GAAP basis Total debt | \$ 585,000 |
| Plus: | |
| Letters of credit outstanding | 990 |
| Funded debt | \$ 585,990 |

Calculation of Funded debt to EBITDA

| | As of December 31, 2011 |
|-------------|--|
| Funded debt | \$ 585,990 |
| EBITDA | 391,327 |
| | <u>1.50 times</u> |