

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): May 10, 2018

TEMPUR SEALY INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-31922
(Commission File Number)

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

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

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

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

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

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 May 10, 2018, 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.

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	Description
99.1	Tempur Sealy International, Inc. May 2018 Investor 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: May 10, 2018

Tempur Sealy International, Inc.

By: /s/ Bhaskar Rao

Name: Bhaskar Rao

Title: Executive Vice President & Chief Financial Officer

Tempur Sealy
International, Inc.
(TPX)

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



Tempur Sealy
International, Inc.
(TPX)

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

- Strong global brands serving all price points
- Omni-channel distribution balanced between wholesale and direct to consumer
- Global manufacturing footprint
- Structural growth industry, with high ROIC and robust free cash flow
- Industry is relatively concentrated in US and fragmented globally

Forward-Looking Statements: This investor presentation contains “forward-looking statements” within the meaning of federal securities laws. Please review carefully the cautionary statements and other information included in the appendix under “Forward looking Statements”. Non-GAAP Financial Information: This presentation includes non-GAAP financial measures. Please refer to the footnotes and the explanations about such non-GAAP financial measures, including reconciliations to the corresponding GAAP financial measures, in the appendix at the end of this presentation. Footnotes: Please refer to the footnotes at the end of this presentation.

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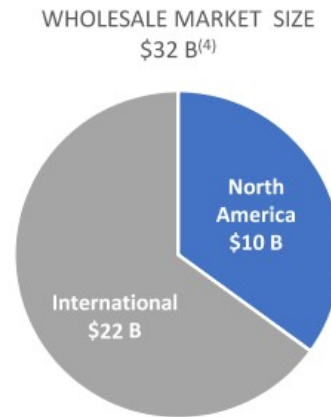
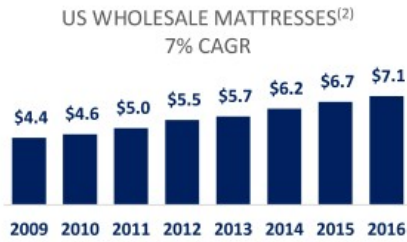
Delivering Shareholder Value

Focus on long-term initiatives:

- Develop the most innovative bedding products in all the markets we serve
- Invest significant marketing dollars to promote our worldwide brands
- Optimize worldwide distribution to be where consumers want to shop
- Drive increases in EBITDA⁽¹⁾

Growing Global Mattress Industry

- US mattress sales grew at a 7% CAGR and Non-US mattress sales grew at a 4% CAGR since 2009, driven by consumer shift to higher priced mattresses and population growth
- Tempur Sealy is at the center of global trend toward higher quality and more innovation, driving average selling prices
- Tempur Sealy is a market leader in North America but relatively low market share Internationally



TEMPUR+SEALY

BRANDS AND PRODUCTS



STEARNS & FOSTER

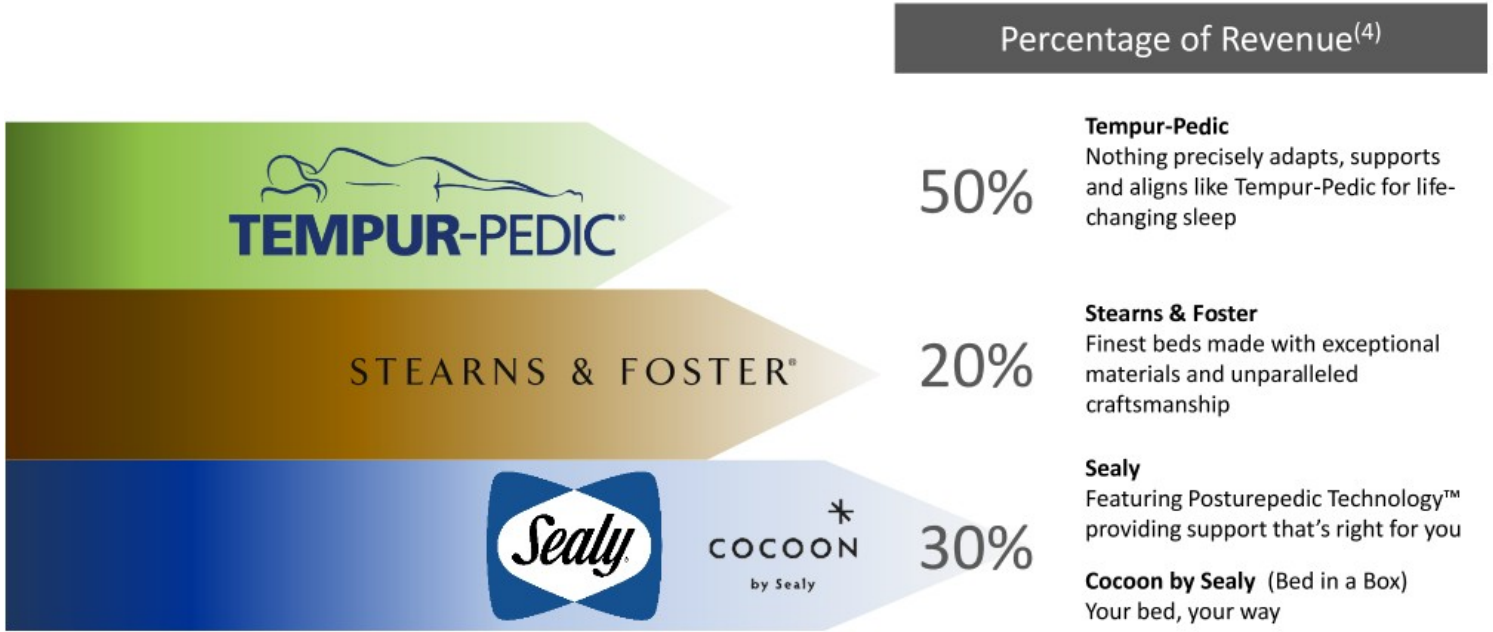

TEMPUR-PEDIC

Sealy **HYBRID**

Tempur Sealy Has Well Established Global Brands

- Brands are complementary and fully cover the market
- Tempur-Pedic is the premium market leader

Complementary Brands



Complete Portfolio of Products

TEMPUR MATERIAL



TEMPUR BREEZE®



TEMPUR ADAPT™



HYBRID



SEALY HYBRID®



STEARNS & FOSTER®

INNERSPRING



STEARNS & FOSTER®



SEALY RESPONSE®

MEMORY FOAM



SEALY CONFORM®



COCOON BY
SEALY
(BED IN A BOX)

OTHER SPECIALTY



ADJUSTABLE BASES



PILLOWS

TEMPUR-PEDIC 2018



The most integrated product offering in the brand's history...

...to improve SKU productivity and increase unit market share

SMARTER DESIGN.

INSIDE / OUTSIDE

SMARTCLIMATE™ DUAL COVER SYSTEM

Next-generation technology featuring a zip-off, cool-to-touch outer layer and super-stretch inner layer for convenience and comfort.

High-Stretch Performance Panel

Inspired by athletic apparel. Designed for comfort. Designed to be lightweight, breathable and to enhance the pressure-relieving power of your mattress.

Cool-to-Touch Removable Cover

The world's first removable, machine-washable cooling cover. Crafted from ultra-high molecular weight yarn, it moves heat away from your body. A sleek 360° zipper makes for easy on and off. Simply machine wash, tumble dry low and slip it back on.

TEMPUR™ TECHNOLOGY

Original TEMPUR™

Advanced adaptability for truly personalized comfort and support. Designed for comfort.

TEMPUR-APR™

Advanced Pressure Relief, our most pressure-relieving material ever – made for deeper, more rejuvenating sleep.

SEALY HYBRID 2018



Leveraging the Best of
Both Worlds.

Sealy's coolest hybrid utilizing the latest
in Posturepedic Technology.

Bedding System

New Adjustable Bases and Pillows:

- Pillows with Premium Knit Covers with New Cooling Technology
- Streamlined, upgraded range of Adjustable Bases Supporting Tempur-Pedic, Stearns & Foster, and Sealy

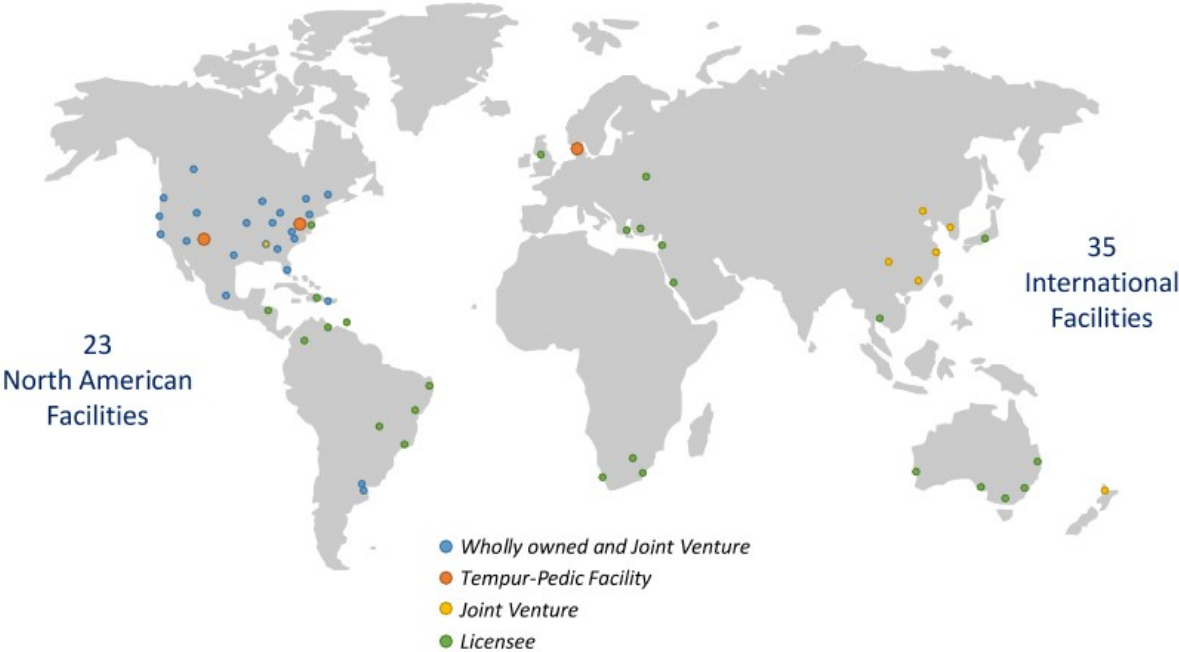
TEMPUR-Adapt™ Pillows



Tempur Sealy Adjustable Bases



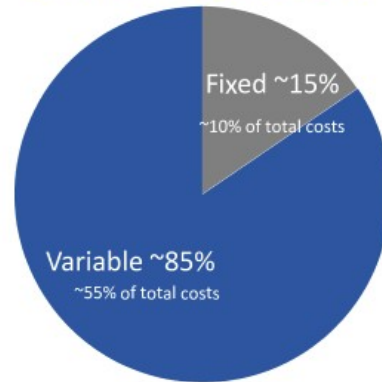
Global Manufacturing Foot Print



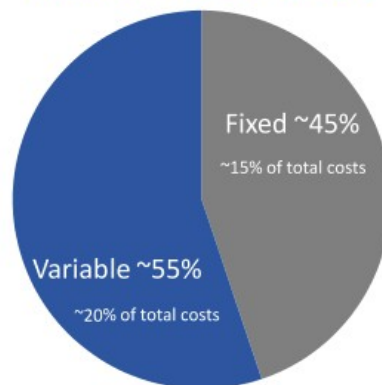
Flexible Operating Model with a Variable Cost Structure⁽⁴⁾

- Tempur Sealy's total cost structure is highly variable; approximately 75% in total
- Tempur Sealy cost structure can be quickly aligned with sales trends

COST OF GOODS SOLD

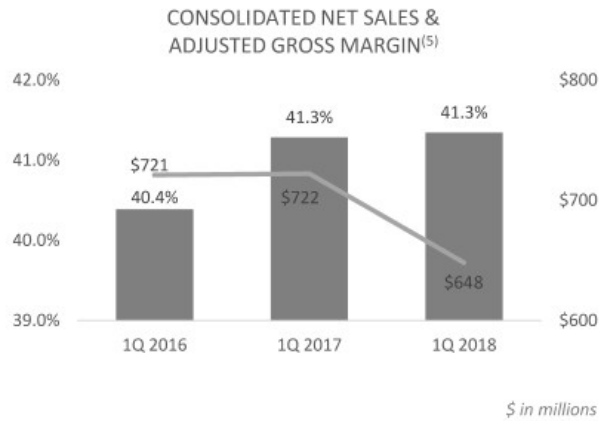


OPERATING EXPENSES



Global Manufacturing Foot Print

- North American and International operating models support demand
- Driving for operational improvements on key metrics such as product quality and on-time delivery
- Adjusted Gross Margins consistent with prior year despite significant volume deleverage



Please Note: GAAP gross margin in Q1 2016, Q1 2017, and Q1 2018 was 40.4%, 39.7%, and 41.3%, respectively



LATEST RESULTS

TEMPUR+SEALY

First Quarter 2018 Highlights

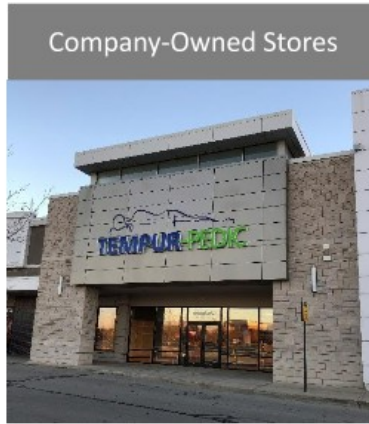
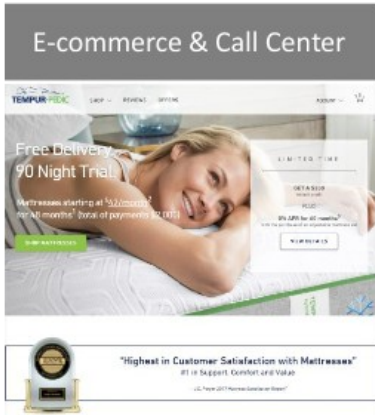
- Total Net Sales Increased 3% Excluding Mattress Firm
- North American Direct Sales Increased Approximately 30%

Three MONTHS ENDED March 31

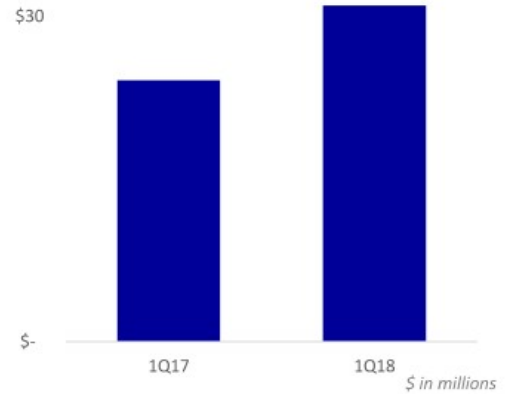
	2018	2017	%Change	%Change Constant Currency ⁽⁶⁾
Net Sales	\$648.0	\$722.1	-10.3%	-12.2%
Net Income	23.1	33.9	-31.9%	-39.5%
EPS	0.42	0.62	-32.3%	-40.3%
EBITDA ⁽¹⁾	83.2	86.8	-4.1%	-8.9%
Adjusted Net Income⁽⁶⁾	\$23.1	\$52.2	-55.7%	-60.7%
Adjusted EPS⁽⁶⁾	0.42	0.96	-56.3%	-61.5%
Adjusted EBITDA⁽¹⁾	83.2	121.1	-31.3%	-34.7%

(in millions, except percentages and per common share amounts)

Worldwide Direct Business



NORTH AMERICA DIRECT CHANNEL



North America Direct Channel grew approximately 30% in the first quarter 2018

NORTH AMERICAN SALES CHANNEL



■ Direct ■ Wholesale

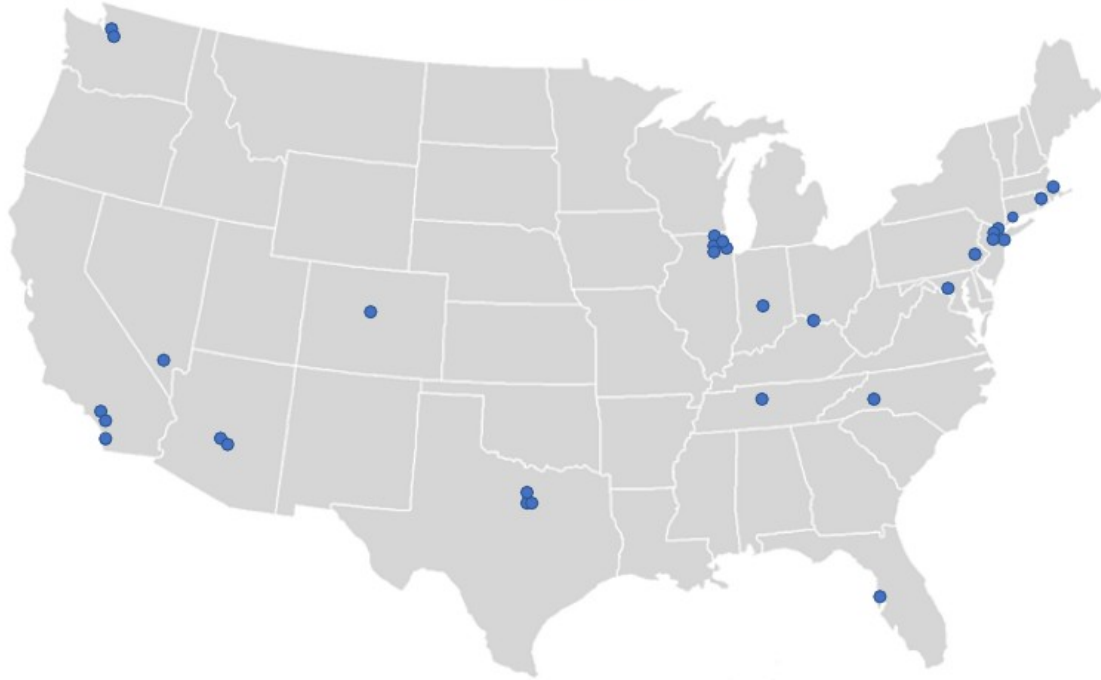
INTERNATIONAL SALES CHANNEL



■ Direct ■ Wholesale

US Company Owned Stores

- 31 Stores Currently Open
- Average Sales per Store in 2017 of Approximately \$2.2M
- New Stores have a payback of approximately 6 to 9 months⁽⁴⁾

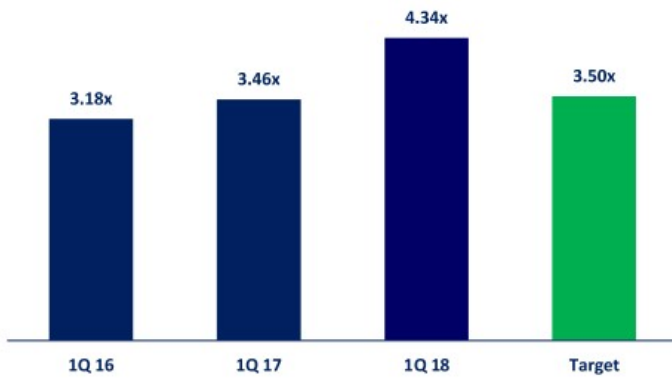


Please Note: average sales per store includes stores open from Jan 1, 2017 through Dec 31, 2017.

Debt Structure

- We expect to pay down debt to enter a normalized range for leverage
- Then consider share repurchase program / acquisition
- Leverage ratio target⁽⁷⁾: 3.5x with a range of 3.0x to 4.0x
- Fixed rate debt represent ~60% of total debt; capital structure contains long dated maturities
- About \$227 million remaining on share repurchase authorization

LEVERAGE⁽⁶⁾



MANDATORY MATURITY PROFILE⁽⁸⁾



Rating Agency Ratings
 • S&P: BB as of February 2018
 • Moody's: Ba3 as of September 2017

TEMPUR+SEALY

NEAR TERM OUTLOOK

STEARNS & FOSTER


TEMPUR-PEDIC

Sealy HYBRID

Growing Revenues in North America

Growth strategy, key recapture methods:

- Increased velocity of our products in our current customers
- Increased balance of share with current customers
- Increased presence of new retailers in markets that are currently underpenetrated
- Capture fair share of direct-to-consumer business on the internet and a relatively limited number of company-owned stores

2018 Targets and Near Term Priorities

Long-Term Goals

- Develop the most innovative bedding products in all the markets we serve
- Invest significant marketing dollars to promote our worldwide brands
- Optimize worldwide distribution to be where consumers want to shop
- Drive increases in EBITDA⁽¹⁾

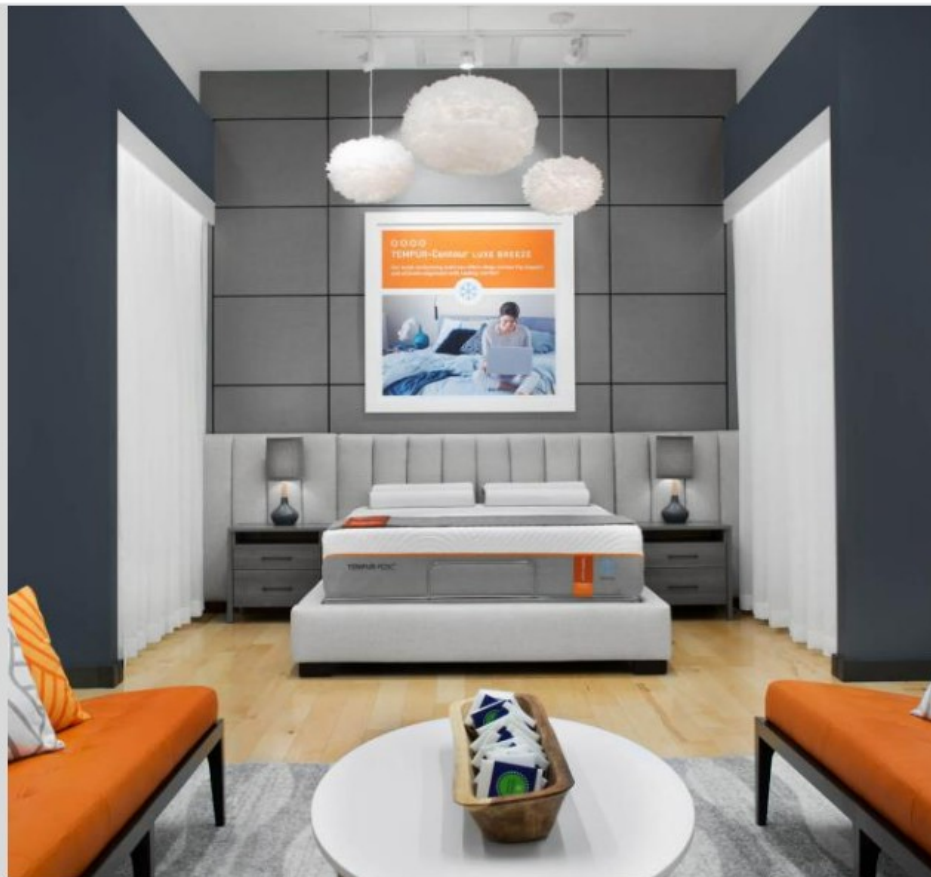
2018 Financial Targets⁽⁷⁾ and Assumptions

Adjusted EBITDA ⁽¹⁾	\$450 to \$500 M
Capital Expenditures	\$65 to \$75 M
Depreciation & Amortization	\$110 to \$120 M
Interest Expense	\$90 to \$95 M
U.S. Federal Tax Rate Range	26% to 28%
Share Count	55 M
Target Debt to EBITDA ⁽¹⁾	3.5x

Thank you for
your interest in
Tempur Sealy
International



STEARNS & FOSTER





+SEALY

APPENDIX

Aspirational Plan⁽⁹⁾

- On August 7, 2017, the Company implemented a new Aspirational Program in the form of performance restricted stock units tied to challenging performance targets. This Aspirational Program builds on the challenging goals and the structure established in our original Aspirational Program adopted in 2015, with slightly revised performance goals and new performance periods, as we align the management team around our new aspirational targets following the termination with our largest customer
- Performance restricted stock units (“PRSUs”) for approximately 1.5 million shares of the Company’s common stock have been granted to over 150 employees
 - PRSUs will vest based on adjusted EBITDA⁽¹⁾ performance measured on a rolling 4 quarter basis during two performance periods -- 2018 and 2019 (“Period 1”) and 2020 (“Period 2”)
 - If the minimum performance target is met for the applicable period, awards become payable shortly after the applicable Period. If an officer or employee leaves for any reason prior to vesting, all of his or her PRSUs will be forfeited, subject to certain limited exceptions

Achievement Schedule

Adjusted EBITDA	% of Total Grant of PRSUs That Will Vest	
	January 1, 2018 – December 31, 2019 (Period 1)	
≥ \$650		100%
\$600		66%
< \$600		0%

- Measured quarterly on a trailing four quarter period
- If an award is earned in Period 1 the program ends, subject to a change of control provision
- If an award is not earned in Period 1, then ½ of the award lapses and ½ of the award remains available for vesting based on performance in Period 2
- Prorated based on performance between \$600 & \$650, but is only payable at the end of the respective period

(adjusted EBITDA target \$ in millions)

26

For more information please refer to the Company’s Form 8-K filed on August 7, 2017

Forward-Looking Statements

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 "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 adjusted EBITDA, capital expenditures, depreciation and amortization, interest expense, tax rate and share count for 2018 and performance generally for 2018 and subsequent periods, expectations regarding the Company's plans in 2018 with respect to product launches, price increases and expansion of its omnichannel strategy including store opening and the Company's strategy to recapture market share in the U.S., and expectations regarding the Company's target leverage ratio, share repurchase program and the capital allocation strategy and expectations regarding the ability to reduce costs in a reduced sales or recession scenario. 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. These risk factors include risks associated with the Company's capital structure and debt level; 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 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; changes in demand for the Company's products by significant retailer customers; the Company's ability to expand brand awareness; the Company's ability to expand distribution either through third parties or through direct sales; the Company's ability to continuously improve and expand its product line and successfully roll out new products, maintain 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, regulatory or investigation proceedings and outstanding litigation; changing commodity costs; the effect of future legislative or regulatory changes; and disruptions to the implementation of the Company's strategic priorities and business plan caused by abrupt changes in the Company's senior management team and Board of Directors.

There are a number of risks, uncertainties and other important factors, many of which are beyond the Company's control, that could cause its actual results to differ materially from those expressed as forward-looking statements in this investor presentation, including the risk factors discussed under the heading "Risk Factors" under ITEM 1A of Part 1 of the Company's Annual Reports on Form 10-K for the years ended December 31, 2017. 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.

Note Regarding Historical Financial Information:

In this investor presentation we provide or refer to certain historical information for the Company. For a more detailed discussion of the Company's financial performance, please refer to the Company's SEC filings.

Note Regarding Trademarks, Trade Names and Service Marks:

TEMPUR[®], *Tempur-Pedic*[®], the *TEMPUR-PEDIC & Reclining Figure Design*[®], *TEMPUR-Cloud*[®], *TEMPUR-Choice*[®], *TEMPUR-Weightless*[®], *TEMPUR-Contour*[™], *TEMPUR-Rhapsody*[™], *TEMPUR-Flex*[®], *THE GRANDBED BY TEMPUR-PEDIC*[®], *TEMPUR-Simplicity*[®], *TEMPUR-Ergo*[®], *TEMPUR-UP*[™], *TEMPUR-Neck*[™], *TEMPUR-Symphony*[™], *TEMPUR-Comfort*[™], *TEMPUR-Traditional*[™], *TEMPUR-Home*[™], *SEALY*[®], *SEALY POSTUREPEDIC*[®], *STEARNS & FOSTER*[®], *COCOON by Sealy*[™] and *OPTIMUM*[®] are trademarks, trade names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks in this presentation are the property of the respective owners.

Limitations on Guidance: The guidance included herein is from the Company's press release and related earnings call on May 3, 2018. The Company is neither reconfirming this guidance as of the date of this investor presentation nor assuming any obligation to update or revise such guidance. See above.

Footnotes

1. EBITDA and adjusted EBITDA are a non-GAAP financial measures. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" beginning on slide 29 for more information regarding the definitions of EBITDA and adjusted EBITDA, including the adjustments from the corresponding GAAP information. Amounts shown for 2018 financial targets on slide 23 represents management estimates of adjusted EBITDA performance based on the Company's guidance provided on February 22, 2018. Please refer to "Forward-Looking Statements" and "Limitations on Guidance" on slide 27. The Company notes that it is unable to reconcile this forward-looking non-GAAP financial measure to GAAP net income, its most directly comparable forward-looking GAAP financial measure, without unreasonable efforts, because the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP net income in 2018 but would not impact adjusted EBITDA. These items that impact comparability may include restructuring activities, the impact of the termination of contracts with Mattress Firm, foreign currency exchange rates, income taxes, and other items. The unavailable information could have a significant impact on the Company's full year 2018 GAAP financial results.
2. According to 2016 Mattress Industry Report of Sales & Trends provided by the International Sleep Products Association ("ISPA").
3. CSIL World Mattress Report, 2016 (Top 44 Markets Mattress Consumption).
4. Management estimates.
5. Adjusted gross margin is a non-GAAP financial measure. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" beginning on slide 29 for more information regarding the definition of these non-GAAP financial measures, including the adjustments from the corresponding GAAP information.
6. Adjusted net income, adjusted EPS, adjusted gross margin, leverage, leverage ratio, and constant currency are non-GAAP financial measures. Please refer to the "Use of Non-GAAP Financial Measures and Constant Currency Information" beginning on slide 29 for more information regarding the definition of these non-GAAP financial measures, including the adjustments from the corresponding GAAP information.
7. Based on the Company's 2018 financial targets provided in the press release dated May 3, 2018 and the related earnings call on May 3, 2018. Please refer to "Forward-Looking Statements" and "Limitations on Guidance".
8. Based on debt outstanding at December 31, 2017. For more information please refer to the Company's annual report on Form 10-K for the year ended December 31, 2017.
9. For more information about the aspirational plan and the terms of the aspirational PRSUs, please refer to the Company's SEC filings. In addition, please refer to "Forward Looking Statements".

Use of Non-GAAP Financial Measures and Constant Currency Information

In this investor presentation and certain of its press releases and SEC filings, the Company provides information regarding adjusted net income, adjusted gross margin, adjusted EPS, EBITDA, adjusted EBITDA, and consolidated funded debt less qualified cash and leverage ratio which are not recognized terms under U.S. GAAP and do not purport to be alternatives to net income and earnings per share as a measure of operating performance or an alternative to total debt. The Company believes these non-GAAP measures provide investors with performance measures that better reflect the Company's underlying operations and trends, including trends in changes in margin and operating expenses, providing a perspective not immediately apparent from net income and operating income. The adjustments management makes to derive the non-GAAP measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP measure, but which management does not consider to be the fundamental attributes or primary drivers of the Company's business, including costs associated with the termination of Mattress Firm in 2017, costs associated with a Latin American subsidiary, legal settlements and other costs.

The Company believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying results from continuing operations and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and management incentive goals, and to provide continuity to investors for comparability purposes. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with the Company's results as determined in accordance with GAAP and 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 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.

Gross Margin

A reconciliation of GAAP gross profit and gross margin to adjusted gross profit and gross margin, respectively, is provided on slide 33. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of various adjustments as described in the footnotes provided.

EBITDA and Adjusted EBITDA

A reconciliation of the Company's GAAP net income to EBITDA and adjusted EBITDA is provided on slide 30. Management believes that the use of EBITDA and adjusted EBITDA provides investors with useful information with respect to the Company's operating performance and comparisons from period to period.

Leverage

Consolidated funded debt less qualified cash to adjusted EBITDA, which the Company may refer to as leverage, is provided on slide 31 and is calculated by dividing consolidated funded debt less qualified cash, as defined by the Company's senior secured credit facility, by adjusted EBITDA. The Company provides this as supplemental information to investors regarding the Company's operating performance and comparisons from period to period, as well as general information about the Company's progress in reducing its leverage.

Adjusted Net Income and Adjusted EPS

A reconciliation of the Company's GAAP net income to adjusted net income and a calculation of adjusted EPS are provided on slide 32. 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.

Adjusted EBITDA Reconciliation

<i>(in millions)</i>	Three Months Ended		Trailing Twelve Months Ended
	March 31, 2018	March 31, 2017	March 31, 2018
GAAP Net income	\$ 23.1	\$ 33.9	\$ 140.6
Interest expense, net	22.9	22.1	108.8
Income taxes	10.0	14.6	43.1
Depreciation and amortization	27.2	16.2	105.6
EBITDA	83.2	86.8	398.1
Adjustments			
Customer termination charges ⁽¹⁾	-	34.3	-
Latin American subsidiary charges ⁽²⁾	-	-	9.1
Other Costs ⁽³⁾	-	-	3.4
Adjusted EBITDA	\$ 83.2	\$ 121.1	\$ 410.6

Notes

- (1) Adjusted EBITDA excludes \$34.3 million of charges related to the termination of the relationship with Mattress Firm. Cost of sales included \$11.5 million of charges related to the write-off of customer-unique inventory and product obligations. Operating expenses included \$14.4 million of net charges, which included a write-off of \$17.2 million for customer incentives and marketing assets, \$5.8 million of employee-related costs and \$0.7 million of professional fees. These charges were offset by \$9.3 million of benefit related to the change in estimate associated with performance-based stock compensation that was no longer probable of payout following the Mattress Firm termination. Additionally, the net amortization impact of \$8.4 million of stock-based compensation benefit incurred in the first quarter of 2017 is added back.
- (2) In the third and fourth quarters of 2017, we recorded a total of \$9.1 million of non-interest related charges associated with a Latin American subsidiary. Operating income includes \$5.1 million of restructuring charges, which relate to the wind down of certain operations, leadership termination charges and professional fees, as well as \$3.8 million of non-income tax charges. Other expense, net includes \$0.2 million of other charges.
- (3) In the third and fourth quarters of 2017, we incurred a total of \$3.4 million in other costs. In the third quarter of 2017, we recorded \$3.0 million in charges for hurricane-related costs and a customer's bankruptcy. In the fourth quarter of 2017, we incurred \$0.4 million in costs associated with an early lease termination.

For additional information regarding the calculations above please refer to the Company's quarterly report on Form 10-Q for the period ended March 31, 2018.

Leverage Reconciliation

<i>(in millions, except ratio)</i>	1Q 16	1Q 17	1Q 18
Total debt ⁽¹⁾	\$ 1,496.2	\$ 1,869.1	\$ 1,783.8
Plus: Letters of credit outstanding	18.8	22.9	23.1
Consolidated funded debt	1,515.0	1,892.0	1,806.9
Less: Domestic qualified cash ⁽²⁾	6.3	11.5	14.3
Less: Foreign qualified cash ⁽²⁾	18.5	18.6	12.1
Consolidated funded debt less qualified cash	\$ 1,490.2	\$ 1,861.9	\$ 1,780.5
Adjusted EBITDA ⁽³⁾	\$ 469.3	\$ 538.7	\$ 410.6
Leverage	3.2x	3.5x	4.3x

Notes

- (1) Balance sheet amounts are as of the end of the referenced quarter.
- (2) 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.
- (3) Represents Adjusted EBITDA for the trailing twelve-month period ended with the referenced quarter. A reconciliation of GAAP net income to Adjusted EBITDA with respect to the twelve-month period ended with the referenced quarter is set forth below.

<i>(\$ in millions)</i>	1Q 16	1Q 17	1Q 18
GAAP net income	\$ 89.7	\$ 196.4	\$ 140.6
Loss on extinguishment of debt		47.2	
Interest expense, net	97.1	85.9	108.8
Income tax provision	132.4	84.1	43.1
Depreciation and amortization	95.8	82.0	105.6
EBITDA	\$ 415.0	\$ 495.6	\$ 398.1
Adjustments	54.3	43.1	12.5
Adjusted EBITDA	\$ 469.3	\$ 538.7	\$ 410.6

For additional information regarding the calculations above please refer to the Company's quarterly report on Form 10-Q for the period ended March 31, 2018.

Adjusted Net Income and Adjusted EPS

<i>(in millions, except per share amounts)</i>	Three Months Ended	
	March 31, 2018	March 31, 2017
GAAP net income ⁽¹⁾	\$ 23.1	\$ 33.9
Customer termination charges, net ⁽²⁾	-	25.9
Tax adjustments ⁽³⁾	-	(7.6)
Adjusted net income	<u>23.1</u>	<u>52.2</u>
Adjusted earnings per common share, diluted	<u>\$ 0.42</u>	<u>\$ 0.96</u>
Diluted shares outstanding	<u>54.9</u>	<u>54.6</u>

Notes

- (1) Net income includes other income of \$9.3 million of payments received pursuant to the transition agreements with Mattress Firm, which were entered into during the first quarter of 2017. This other income is not included as an adjustment to adjusted net income. In the fourth quarter of 2016, we spent approximately \$13 million to support Mattress Firm with store transitions and product launches. The \$9.3 million of payments from Mattress Firm were intended to partially offset that prior investment.
- (2) In the first quarter of 2017, we recorded \$25.9 million of net charges related to the termination of the relationship with Mattress Firm. Cost of sales included \$11.5 million of charges related to the write-off of customer-unique inventory and product obligations. Operating expenses included \$14.4 million of net charges, which included a write-off of \$17.2 million for customer incentives and marketing assets, \$5.8 million of employee-related costs and \$0.7 million of professional fees. These charges were offset by \$9.3 million of benefit related to the change in estimate associated with performance-based stock compensation that is no longer probable of payout following the Mattress Firm termination.
- (3) Tax adjustments represent adjustments associated with the aforementioned items and other discrete income tax events.

For additional information regarding the calculations above please refer to the Company's quarterly report on Form 10-Q for the period ended March 31, 2018.

Adjusted Gross Margin

	1Q 2018		1Q 2017		1Q 2016	
	Consolidated	Margin	Consolidated	Margin	Consolidated	Margin
Net sales	648.0		722.1		721.0	
Gross profit	267.9	41.3%	286.6	39.7%	291.0	40.4%
Adjustments ⁽¹⁾	-		11.5		0.2	
Adjusted gross profit	267.9	41.3%	298.1	41.3%	291.2	40.4%

Adjustments include \$11.5 million of charges related to the write-off of customer-unique inventory and product obligations in Q1 2017 and \$.2 million of integration costs, which include compensation costs, professional fees and other charges related to the transition of manufacturing facilities, and other costs to support the continued alignment of the North America business segment in 1Q 2016 related to the Sealy acquisition.

For additional information regarding the calculations above please refer to the Company's quarterly report on Form 10-Q for the period ended March 31, 2018.

