

TEMPUR SEALY INTERNATIONAL, INC.  
Form DEFA14A  
March 18, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**TEMPUR SEALY INTERNATIONAL, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Explanatory Note:**

Filed herewith is an updated investor presentation to be used by Tempur Sealy International, Inc. in connection with meetings with investors on or after March 18, 2015.

Tempur Sealy International, Inc.

March 18, 2015

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

2  
Forward-Looking Statements  
Note  
Regarding  
Trademarks,  
Trade  
Names  
and  
Service  
Marks:  
TEMPUR,  
Tempur-Pedic,  
TEMPUR-Cloud,

TEMPUR-Choice,  
TEMPUR-Weightless,  
TEMPUR-Contour,  
TEMPUR-Rhapsody,  
TEMPUR-Flex,  
GrandBed,  
TEMPUR-Simplicity,  
TEMPUR-Ergo,  
TEMPUR-UP,  
TEMPUR-Neck,  
TEMPUR-Symphony,  
TEMPUR-Comfort,  
TEMPUR-Traditional,  
TEMPUR-Home,  
Sealy,  
Sealy  
Posturepedic,  
Stearns  
&  
Foster,  
and  
Optimum  
are  
trademarks,  
trade  
names  
or  
service  
marks  
of  
Tempur  
Sealy  
International,  
Inc.  
and/or  
its  
subsidiaries.  
All  
other  
trademarks,  
trade  
names  
and  
service  
marks  
in  
this  
presentation  
are  
the

property  
of  
the  
respective  
owners.  
This  
investor  
presentation  
contains  
"forward-looking  
statements, within  
the  
meaning  
of  
the  
federal  
securities  
laws, which  
include  
information  
concerning  
one  
or  
more  
of  
the  
Company's  
plans,  
objectives,  
goals,  
strategies,  
and  
other  
information  
that  
is  
not  
historical  
information.  
When  
used  
in  
this  
presentation,  
the  
words  
"assumes,"  
"estimates,"  
"expects,"  
guidance,

"anticipates,"  
"projects,"  
"plans,"  
proposed,  
"intends,"  
"believes,"  
and  
variations  
of  
such  
words  
or  
similar  
expressions  
are  
intended  
to  
identify  
forward-looking  
statements.  
These  
forward-looking  
statements  
include,  
without  
limitation,  
statements  
relating  
to  
the  
Company's  
expectations  
regarding  
its  
key  
strategic  
growth  
initiatives  
and  
strategic  
priorities,  
expectations  
regarding  
the  
Company's  
net  
sales,  
revenue  
performance,  
adjusted

EBITDA,  
adjusted  
EPS,  
operating  
cash  
flow,  
free  
cash  
flow,  
synergies  
and  
pricing  
increases  
and  
related  
assumptions  
for  
2015  
and  
subsequent  
years,  
expectations  
regarding  
net  
sales  
growth  
rates,  
sales  
growth  
opportunities  
for  
Sealy  
in  
international  
markets  
and  
for  
the  
TEMPUR-Flex  
line  
of  
products,  
margin  
improvements,  
expansion  
of  
distribution,  
AUSP  
growth,  
the

impact  
of  
foreign  
exchange,  
the  
Company's  
leverage  
ratio,  
and  
expectations  
regarding  
growth  
opportunities  
relating  
to  
acquisitions  
and  
returning  
value  
to  
stockholders.  
All  
forward  
looking  
statements  
are  
based  
upon  
current  
expectations  
and  
beliefs  
and  
various  
assumptions.  
There  
can  
be  
no  
assurance  
that  
the  
Company  
will  
realize  
these  
expectations  
or  
that  
these

beliefs  
will  
prove  
correct.  
Numerous  
factors,  
many  
of  
which  
are  
beyond  
the  
Company's  
control,  
could  
cause  
actual  
results  
to  
differ  
materially  
from  
those  
expressed  
as  
forward-looking  
statements  
in  
this  
investor  
presentation.  
These  
risk  
factors  
include  
risks  
associated  
with  
the  
Company's  
capital  
structure  
and  
increased  
debt  
level;  
the  
ability  
to  
successfully

integrate  
Sealy  
into  
the  
Company's  
operations  
and  
realize  
cost  
and  
revenue  
synergies  
and  
other  
benefits  
from  
the  
transaction;  
whether  
the  
Company  
will  
realize  
the  
anticipated  
benefits  
from  
its  
asset  
dispositions  
in  
2014  
and  
the  
acquisition  
of  
brand  
rights  
in  
certain  
international  
markets  
in  
2014;  
general  
economic,  
financial  
and  
industry  
conditions,

particularly  
in  
the  
retail  
sector,  
as  
well  
as  
consumer  
confidence  
and  
the  
availability  
of  
consumer  
financing;  
changes  
in  
product  
and  
channel  
mix  
and  
the  
impact  
on  
the  
Company's  
gross  
margin;  
changes  
in  
interest  
rates;  
the  
impact  
of  
the  
macroeconomic  
environment  
in  
both  
the  
U.S.  
and  
internationally  
on  
the  
Company's  
business

segments;  
uncertainties  
arising  
from  
global  
events;  
the  
effects  
of  
changes  
in  
foreign  
exchange  
rates  
on  
the  
Company's  
reported  
net  
sales  
and  
earnings;  
consumer  
acceptance  
of  
the  
Company's  
products;  
industry  
competition;  
the  
efficiency  
and  
effectiveness  
of  
the  
Company's  
advertising  
campaigns  
and  
other  
marketing  
programs;  
the  
Company's  
ability  
to  
increase  
sales  
productivity

within  
existing  
retail  
accounts  
and  
to  
further  
penetrate  
the  
Company's  
retail  
channel,  
including  
the  
timing  
of  
opening  
or  
expanding  
within  
large  
retail  
accounts  
and  
the  
timing  
and  
success  
of  
product  
launches;  
the  
effects  
of  
consolidation  
of  
retailers  
on  
revenues  
and  
costs;  
the  
Company's  
ability  
to  
expand  
brand  
awareness,  
distribution  
and

new  
products;  
the  
Company's  
ability  
to  
continuously  
improve  
and  
expand  
its  
product  
line,  
maintain  
and  
improve  
efficient,  
timely  
and  
cost-effective  
production  
and  
delivery  
of  
its  
products,  
and  
manage  
its  
growth;  
the  
effects  
of  
strategic  
investments  
on  
the  
Company's  
operations;  
changes  
in  
foreign  
tax  
rates  
and  
changes  
in  
tax  
laws  
generally,

including  
the  
ability  
to  
utilize  
tax  
loss  
carry  
forwards;  
the  
outcome  
of  
various  
pending  
tax  
audits  
or  
other  
tax,  
regulatory  
or  
litigation  
proceedings;  
changing  
commodity  
costs;  
and  
the  
effect  
of  
future  
legislative  
or  
regulatory  
changes.  
Additional  
information  
concerning  
these  
and  
other  
risks  
and  
uncertainties  
are  
discussed  
in  
the  
Company's  
filings

with  
the  
Securities  
and  
Exchange  
Commission,  
including  
without  
limitation  
the  
Company's  
2014  
Annual  
Report  
on  
Form  
10-K  
filed  
on  
February  
13,  
2015  
with  
the  
SEC,  
under  
the  
headings  
"Special  
Note  
Regarding  
Forward-Looking  
Statements"  
and  
"Risk  
Factors."  
Any  
forward-looking  
statement  
speaks  
only  
as  
of  
the  
date  
on  
which  
it  
is  
made,

and  
the  
Company  
undertakes  
no  
obligation  
to  
update  
any  
forward-looking  
statements  
for  
any  
reason,  
including  
to  
reflect  
events  
or  
circumstances  
after  
the  
date  
on  
which  
such  
statements  
are  
made  
or  
to  
reflect  
the  
occurrence  
of  
anticipated  
or  
unanticipated  
events  
or  
circumstances.  
Note  
Regarding  
Historical  
Financial  
Information:  
In  
this  
investor  
presentation

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

3

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

The Industry's Only Truly Global Company

,

Tempur Sealy Presence

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

4

Complete and Complementary Portfolio of Brands

Luxury

Premium

Mid-Price

Value

5

Tempur-Pedic

#1 US Brand People Are Most Interested In Purchasing

Sealy

#1 US Brand In Total Awareness

#1 US Brand People Are Most Likely To Buy

Stearns

&

Foster

#1 US Brand In Luxury Innerspring Sales

Note

1:

2014

Mattress

Industry

Consumer

Research

U.S.

Market

Note

2:

Stearns

&

Foster

#1

US

Brand

in

Luxury

Innerspring

Sales

based

on

management

estimates.

Complete Range Of Products

Innerspring

Hybrid

Stearns & Foster

TEMPUR-Flex

Adjustable Comfort

TEMPUR-Cloud

Memory Foam, Gel Visco, Latex

Tempur Material

Other Specialty

6

Adjustable Bases

TEMPUR-Ergo Plus

Pillows

TEMPUR Pillows

Strong, Established Management Team

7

Experienced Management Team With Proven Track

Record Of Execution

Years with

Consumer

Tempur

Name

Position

Prior Experience

Products

Inter'l

Sealy

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

Key Priorities 2012

2014

Return Tempur North America to growth and improve operating margins

Revamped entire product offering (2012-2014) and improved retailer economics (August 2012)

Sales growth resumed and margins expanded significantly in 2H-2014 and expected to further expand in 2015

Maintain Sealy sales growth momentum and margins

Sales growth had just begun prior to the acquisition in 2013, and growth continued in 2013 and accelerated in 2014

Margins, however, declined in 2014 and are a primary area of focus in 2015 and beyond

Integrate Sealy

Organizational integration with Sealy essentially complete in North America

Cost synergies realized from the acquisition are ahead of our projections

Capitalizing on strategic growth initiatives of complementary brand and product portfolio

Position International business for future growth

Acquired Sealy brand rights in Europe (ex. UK) and Japan, and commenced roll-out in 3Q 2014

(Weakness in Central Europe affected overall International performance)

Reinvested A Significant Portion Of Cost Synergies Realized

From Sealy Acquisition To Support These Key Priorities

8

9

Tempur Sealy Strategic Priorities  
Leverage and Strengthen Our Comprehensive  
Portfolio Of Iconic Brands & Products  
Expand Distribution And Seek Highest Dealer  
Advocacy  
Expand Margins With Focus On Driving  
Significant Cost Improvement  
Accretive Acquisitions Of Licensees And Joint  
Ventures  
Leverage Global Scale For Competitive  
Advantage

Base  
Annual  
Targets:  
Net  
Sales  
Growth  
Of  
6%  
And  
Adjusted  
EPS  
Growth  
Of  
15%

Strong  
Cash  
Flow  
To  
Reduce  
Debt  
And  
Return  
Value  
to  
Stockholders  
Delivering Value  
For Stockholders  
Note  
1:  
Management  
estimates.  
Please  
refer  
to  
Forward  
Looking  
Statements .  
Note  
2:  
Targets  
are  
based  
on  
constant  
currency.  
For  
information  
on  
the

methodology  
used  
to  
present  
constant  
currency  
information  
please  
refer  
to  
slide  
27.  
Note  
3:  
Adjusted  
EPS  
(which  
is  
a  
non-GAAP  
financial  
measure)  
is  
EPS  
adjusted  
for  
Sealy  
transaction  
and  
integration  
costs,  
loss  
on  
disposal  
of  
business  
related  
to  
the  
disposition  
of  
the  
three  
U.S.  
innerspring  
component  
facilities  
and  
related  
equipment,

interest  
and  
fees  
incurred  
in  
connection  
with  
debt  
amendments  
and  
refinancings,  
normalized  
tax  
rate  
adjustments  
and  
to  
exclude  
certain  
non-recurring  
items.  
Please  
refer  
to  
the  
reconciliations  
on  
slide  
21  
and  
the  
Company's  
SEC  
filings  
for  
more  
information  
regarding  
the  
definition  
of  
adjusted  
EPS.

US  
Canada  
Europe  
Asia Pacific  
Latin America  
10  
Growth Drivers By Geography  
Marketing  
Product  
Innovation  
Opening Own  
Stores  
Leveraging

Distribution  
Synergies  
Leverage  
JV  
(CR)

Expand Margins With Focus On Driving Significant  
Cost Improvement

11

Note 1: Represents initiatives to be achieved by 2018. Our expectation is that they will ramp through the period. Approximate  
Forward Looking Statements .

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

Note 3: Adjusted operating expense leverage is a non-GAAP financial measure. For information on the methodology used to p  
leverage please refer to slide 24.

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

2015 -2018

Objective

2014

Annual

Incremental  
Operating  
Income

1

Initiative

Sealy US Gross Margin Improvement

2

30%

33%

\$45 million

Cost Synergies

4

\$45 million

\$70 million

\$25 million

Adjusted Operating Expense Leverage

3

29%

28%

\$30 million

\$125 million

2015 Pricing

\$25 million

\$25 million

These

Initiatives

Alone

Provide

More

Than

300bps

Of

Operating

Margin

Improvement

Leverage Global Scale For Competitive Advantage  
Tempur Sealy Is Uniquely Positioned To Capitalize On Its  
Integrated Product And Brand Portfolio On A Global Basis

Procurement

R&D

Engineering and design  
Product Development

Cloud and Breeze Beds

Stearns & Foster

Posturepedic Hybrid  
Distribution  
Brand  
12

Globally Diverse Bedding Provider Largely Sold In  
The Retail Channel  
2014 Net Sales  
By Segment  
International  
North America  
13  
By Geographic Region  
Europe  
US  
Canada  
Asia Pacific  
Latin America

Other  
Retail  
By Channel  
Other  
By Product  
Bedding

2014 Net Sales increased 21%

Estimated net sales growth would have been +8% had we owned Sealy for all of 2013

2015 Net Sales growth guidance of 2% to 5%, and includes unfavorable FX of 3.5%

Net Sales

Note

1:

Please

refer

to

Forward

Looking

Statements .

Note

2:  
Estimated  
net  
sales  
growth  
of  
8%  
for  
2014  
is  
based  
on  
Tempur  
Sealy  
International  
consolidated  
net  
sales  
for  
2013  
plus  
management's  
estimates  
for  
Sealy  
sales  
for  
the  
period  
of  
January  
1,  
2013  
to  
March  
17,  
2013.  
The  
Sealy  
acquisition  
was  
completed  
on  
March  
18,  
2013.  
Net  
sales  
for  
2013

only  
include  
Sealy  
from  
March  
18,  
2013  
to  
December  
31,  
2013,  
while  
2014  
and  
2015  
results  
include  
Sealy  
for  
the  
full  
year  
and  
as  
a  
result  
information  
may  
not  
be  
comparable.  
Note  
3:  
2015P  
is  
the  
Company's  
Net  
Sales  
guidance  
issued  
on  
February  
5,  
2015,  
which  
consisted  
of  
full  
year

2015  
Net  
Sales  
of  
\$3.050  
billion  
to  
\$3.150  
billion.  
Note  
4:  
For  
information  
on  
the  
methodology  
used  
to  
present  
constant  
currency  
information  
please  
refer  
to  
slide  
27.  
14  
(\$ in millions)  
Net Sales

15  
(GAAP Reported Operating Margin)  
2014  
GAAP  
operating  
margin  
includes  
\$43.8  
million  
of  
integration  
costs  
(1.5%

of  
net  
sales)  
Adjusted  
operating  
margin  
is  
expected  
to  
be  
up  
10bps  
to  
80bps  
in  
2015  
On  
a  
constant  
currency  
basis,  
adjusted  
operating  
margin  
is  
expected  
to  
be  
up  
75bps  
to  
150bps  
in  
2015  
Operating Margin  
Note  
1:  
2015  
operating  
margin  
improvement  
based  
on  
management  
estimates.  
Please  
refer  
to  
Forward  
Looking

Statements .  
Note  
2:  
Adjusted  
operating  
margin  
is  
a  
non-GAAP  
financial  
measure.  
For  
information  
on  
the  
methodology  
used  
to  
present  
Adjusted  
operating  
margin  
and  
a  
reconciliation  
to  
GAAP  
operating  
margin  
please  
refer  
to  
slide  
25.  
Note  
3:  
For  
information  
on  
the  
methodology  
used  
to  
present  
constant  
currency  
information  
please  
refer  
to

slide

27.

Adjusted Operating  
Margin

Adjusted Operating  
Margin

16  
Adjusted EPS  
Note  
1:  
Adjusted  
EPS  
amounts  
for  
2015  
based  
on  
management  
estimates.

On  
February  
5,  
2015,  
the  
Company  
issued  
guidance  
for  
Adjusted  
EPS  
for  
full  
year  
2015  
of  
\$2.70  
to  
\$3.10.  
Please  
refer  
to  
Forward  
Looking  
Statements .  
Note  
2:  
GAAP  
EPS  
for  
2013  
was  
\$1.28  
and  
GAAP  
EPS  
for  
2014  
was  
\$1.75.  
Adjusted  
EPS  
for  
2013  
only  
include  
Sealy  
from  
March  
18,

2013  
to  
December  
31,  
2013,  
while  
2014  
and  
2015  
results  
include  
Sealy  
for  
the  
full  
year  
and  
as  
a  
result  
information  
may  
not  
be  
comparable.  
Note  
3:  
Base  
Annual  
Adjusted  
EPS  
Growth  
Target  
is  
based  
on  
constant  
currency.  
For  
information  
on  
the  
methodology  
used  
to  
present  
constant  
currency  
information  
please

refer  
to  
slide  
27.  
Note  
4:  
Adjusted  
EPS  
(which  
is  
a  
non-GAAP  
financial  
measure)  
is  
EPS  
adjusted  
for  
Sealy  
transaction  
and  
integration  
costs,  
loss  
on  
disposal  
of  
business  
related  
to  
the  
disposition  
of  
the  
three  
U.S.  
innerspring  
component  
facilities  
and  
related  
equipment,  
interest  
and  
fees  
incurred  
in  
connection  
with  
debt

refinancings,  
normalized  
tax  
rate  
adjustments  
and  
to  
exclude  
certain  
non-recurring  
items.  
Please  
refer  
to  
the  
reconciliations  
on  
slide  
21  
and  
the  
Company's  
SEC  
filings  
for  
more  
information  
regarding  
the  
definition  
of  
adjusted  
EPS.

2014 Adjusted EPS increased 11%; on a constant currency basis would have increased 18%

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

Strong Cash Flow Characteristics

17

(\$ in millions)

Operating and Free Cash Flow

Note 1: Operating and free cash flow for 2013 only include Sealy from March 18, 2013 to December 31, 2013, while 2014 res

Note 2: Free cash flow is a non-GAAP financial measure. For information on the methodology used to present free cash flow

Note 3: For information on the methodology used to present constant currency information please refer to slide 27.

Multi-year add back to net income as D&A should continue to exceed annual Capex by \$30M+

Expect continued growth in operating and free cash flow in 2015

18  
Improving Capital Structure  
(\$ in millions)  
Consolidated Funded Debt Less  
Qualified Cash to Adjusted EBITDA  
Note  
1:  
Information  
for  
2015  
based  
on  
management

estimates.  
Please  
refer  
to  
Forward  
Looking  
Statements .  
Note  
2:  
Adjusted  
EBITDA  
(which  
is  
a  
non-GAAP  
financial  
measure)  
represents  
EBITDA  
adjusted  
for  
the  
loss  
on  
disposal  
of  
business,  
Sealy  
transaction  
and  
integration  
costs,  
and  
purchase  
price  
allocation  
( PPA )  
inventory  
adjustments  
related  
to  
the  
Sealy  
acquisition,  
financing  
and  
refinancing  
costs,  
non-cash  
compensation,

restructuring  
and  
other.  
Please  
refer  
to  
the  
reconciliation  
included  
on  
slides  
22-23  
of  
this  
presentation  
and  
the  
Company's  
SEC  
filings  
for  
more  
information  
regarding  
the  
definition  
of  
adjusted  
EBITDA  
and  
the  
calculation  
of  
consolidated  
funded  
debt  
less  
qualified  
cash  
(which  
are  
non-GAAP  
financial  
measures)  
and  
the  
calculation  
of  
the  
leverage

ratio  
for  
purposes  
of  
the  
Company's  
senior  
secured  
facility.

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

Appendix

19

\*  
\*  
\*  
\*  
\*  
\*  
\*

Use of Non-GAAP Financial Measures

In  
this  
investor  
presentation  
and  
certain  
of  
its  
press  
releases  
and  
SEC

filings,  
the  
Company  
provides  
information  
regarding  
adjusted  
net  
income,  
adjusted  
earnings  
per  
share,  
earnings  
before  
interest,  
taxes,  
depreciation,  
and  
amortization  
( EBITDA ),  
adjusted  
EBITDA,  
and  
consolidated  
funded  
debt  
and  
consolidated  
funded  
debt  
less  
qualified  
cash,  
adjusted  
operating  
expenses,  
adjusted  
operating  
income  
and  
operating  
margin  
and  
free  
cash  
flow,  
which  
are  
not

recognized  
terms  
under  
U.S.  
Generally  
Accepted  
Accounting  
Principles  
( GAAP )  
and  
do  
not  
purport  
to  
be  
alternatives  
to  
net  
income  
as  
a  
measure  
of  
operating  
performance  
or  
total  
debt.  
Because  
not  
all  
companies  
use  
identical  
calculations,  
these  
presentations  
may  
not  
be  
comparable  
to  
other  
similarly  
titled  
measures  
of  
other  
companies.  
Adjusted

Net  
Income/Adjusted  
EPS  
A  
reconciliation  
of  
adjusted  
net  
income  
and  
adjusted  
earnings  
per  
share  
is  
provided  
on  
slide  
21.  
Management  
believes  
that  
the  
use  
of  
these  
non-GAAP  
financial  
measures  
provides  
investors  
with  
additional  
useful  
information  
with  
respect  
to  
the  
impact  
of  
various  
costs  
associated  
with  
the  
Sealy  
acquisition  
and  
the

disposal  
of  
the  
three  
U.S.  
innerspring  
component  
facilities  
and  
financing  
costs  
incurred  
in  
connection  
with  
the  
amendment  
and  
refinancing  
of  
our  
senior  
secured  
credit  
facility  
in  
2014  
and  
2013,  
other  
income  
related  
to  
certain  
other  
non-recurring  
items,  
including  
income  
from  
a  
partial  
settlement  
of  
a  
legal  
dispute,  
and  
adjustment  
of

taxes  
to  
a  
normalized  
rate  
related  
to  
the  
aforementioned  
items  
and  
other  
discrete  
income  
tax  
events.  
EBITDA/Adjusted  
EBITDA  
A  
reconciliation  
of  
EBITDA  
and  
adjusted  
EBITDA  
to  
the  
Company's  
net  
income  
and  
a  
reconciliation  
of  
total  
debt  
to  
consolidated  
funded  
debt  
and  
consolidated  
funded  
debt  
less  
qualified  
cash  
are  
provided  
on

slides  
22  
and  
23.  
Management  
believes  
that  
the  
use  
of  
EBITDA  
and  
adjusted  
EBITDA  
also  
provides  
investors  
with  
useful  
information  
with  
respect  
to  
the  
terms  
of  
the  
Company's  
senior  
secured  
credit  
facility  
and  
the  
Company's  
compliance  
with  
key  
financial  
covenants.  
For  
more  
information  
regarding  
adjusted  
EPS,  
adjusted  
EBITDA  
and  
other

terms  
used  
in  
the  
Company's  
senior  
secured  
facility,  
please  
refer  
to  
the  
Company's  
SEC  
filings.  
Adjusted  
Operating  
Expenses  
A  
reconciliation  
of  
GAAP  
operating  
expenses  
to  
adjusted  
operating  
expenses,  
which  
is  
GAAP  
operating  
expenses  
less  
integration  
and  
financing  
costs,  
is  
provided  
on  
slide  
24.  
Management  
believes  
that  
the  
use  
of  
this

non-GAAP  
financial  
measure  
provides  
investors  
with  
additional  
useful  
information  
with  
respect  
to  
the  
Company's  
operating  
performance  
and  
initiative  
to  
deleverage  
operating  
expenses  
during  
2015-2018.  
The  
reconciliation  
provides  
information  
on  
the  
methodology  
used  
to  
present  
operating  
expenses,  
including  
the  
exclusion  
of  
integration  
and  
financing  
costs  
related  
to  
the  
Sealy  
acquisition.  
Adjusted

Operating  
Income  
and  
Margin  
A  
reconciliation  
of  
GAAP  
operating  
income  
and  
operating  
margin  
to  
adjusted  
operating  
income  
and  
operating  
margin,  
which  
are  
GAAP  
operating  
income  
and  
GAAP  
operating  
margin  
less  
integration  
and  
financing  
costs,  
is  
provided  
on  
slide  
25.  
Management  
believes  
that  
the  
use  
of  
these  
non-GAAP  
financial  
measures  
provides

investors  
with  
additional  
useful  
information  
with  
respect  
to  
the  
Company's  
operating  
income  
and  
margin  
performance  
excluding  
the  
impact  
of  
integration  
and  
financing  
costs  
related  
to  
the  
Sealy  
acquisition.  
Free  
Cash  
Flow  
A  
reconciliation  
of  
cash  
provided  
by  
operating  
activities  
to  
free  
cash  
flow,  
which  
is  
cash  
provided  
by  
operating  
activities

less  
purchases  
of  
property,  
plant  
and  
equipment,  
is  
presented  
on  
slide  
26.  
Management  
believes  
that  
the  
use  
of  
this  
non-GAAP  
financial  
measure  
provides  
investors  
with  
additional  
useful  
information  
with  
respect  
to  
the  
Company's  
cash  
generation  
and  
financial  
strength.  
20

2014

Adjusted EPS Reconciliation

2013 and 2014 Adjusted EPS

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

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

(3) Financing costs represent costs incurred in connection with the amendment and refinancing of our senior secured credit facilities

(4)

Other

income

includes

certain

other

non-recurring

items,  
including  
income  
from  
a  
partial  
settlement  
of  
a  
legal  
dispute.

(5) Adjustment of taxes to normalized rate represents adjustments associated with the aforementioned items and other discrete  
Note: 2013 includes Sealy from March 18 to December 31, 2013.

21	Year Ended	Year Ended
	(in millions, except per share amounts)	
	December 31,	December 31,
	2013	2014
Net income	78.6	
	\$	108.9
	\$	
Plus:		
Loss on disposal of business, net of tax	(1)	
	--	
	16.7	
Transaction costs, net of tax	(2)	
	13.2	
	--	
Integration costs, net of tax	(2)	
	37.2	
	30.6	
Financing costs, net of tax	(3)	
	6.5	
	3.4	
Other income, net of tax	(4)	
	--	
	(11.3)	
Adjustment of taxes to normalized rate	(5)	
	10.9	

16.3  
 Adjusted net income  
 146.4  
 \$  
 164.6  
 \$  
 Earnings per share, diluted  
 1.28  
 \$  
 1.75  
 \$  
 Loss on disposal of business, net of tax  
 (1)  
 --  
 0.27  
 Transaction costs, net of tax  
 (2)  
 0.21  
 --  
 Integration costs, net of tax  
 (2)  
 0.60  
 0.49  
 Financing costs, net of tax  
 (3)  
 0.11  
 0.05  
 Other income, net of tax  
 (4)  
 --  
 (0.18)  
 Adjustment of taxes to normalized rate  
 (5)  
 0.18  
 0.27  
 Adjusted earnings per share, diluted  
 2.38  
 \$  
 2.65  
 \$  
 Diluted shares outstanding  
 61.6  
 62.1

Adjusted EBITDA Reconciliation  
2013 and 2014 Adjusted EBITDA

22

(1)

2013

is

presented

according

to

the

methodology

used

for

the  
Company's  
senior  
secured  
facilities  
and  
is  
based  
on  
the  
mathematical  
combination  
of  
the  
Company's  
historical  
financial  
results  
for  
the  
twelve  
months  
ended  
December  
31,  
2013  
and  
Sealy's  
historical  
financial  
results  
for  
the  
pre-acquisition  
period  
from  
December  
3,  
2012  
through  
March  
3,  
2013.  
(2)  
Transaction  
and  
integration  
represent  
costs  
related

to  
the  
Sealy  
acquisition,  
including  
legal  
fees,  
professional  
fees  
and  
other  
charges  
to  
align  
the  
businesses.

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

(4)

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

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

(6)  
Loss  
on  
disposal  
of  
business  
represents  
costs  
associated  
with  
the  
disposition  
of  
the  
three  
U.S.

innerspring  
component  
production  
facilities  
and  
related  
equipment  
and  
discontinued  
operations  
represent  
losses  
from  
Sealy's  
divested  
operation  
prior  
to  
the  
Sealy  
acquisition.

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

Year Ended  
Year Ended  
(in millions)  
December 31,  
December 31,  
2013

(1)  
2014

Net income attributable to Tempur Sealy International, Inc.

75.6  
\$  
108.9  
\$  
Interest expense  
133.2  
91.9  
Income taxes  
39.0  
64.9  
Depreciation & amortization  
98.6  
89.7  
EBITDA  
346.4  
\$  
355.4  
\$  
Adjustments for financial covenant purposes:  
Transaction costs  
(2)  
25.2  
Integration costs  
(2)  
15.3  
40.3  
Financing and Refinancing charges  
(3)  
2.4  
1.3  
Non-cash compensation  
(4)  
5.8  
Restructuring and impairment related charges  
(5)  
7.8  
Loss on disposal of business and discontinued operations  
(6)  
0.6  
23.2  
Other  
(7)  
7.6  
(15.6)  
Adjusted EBITDA  
411.1  
\$  
404.6  
\$



Debt Reconciliation and Leverage Ratio Calculation  
Reconciliation of Total Debt to Consolidated Funded Debt Less Qualified Cash  
(1)  
Qualified  
cash  
as  
defined  
in  
the  
Company's  
senior  
secured  
credit

facility  
equals  
100.0%  
of  
unrestricted  
domestic  
cash  
plus  
60.0%  
of  
unrestricted  
foreign  
cash.

For  
purposes  
of  
calculating  
leverage  
ratios,  
qualified  
cash  
is  
capped  
at  
\$150.0  
million.

(2)  
The  
ratio  
of  
consolidated  
debt  
less  
qualified  
cash  
to  
adjusted  
EBITDA  
was  
3.89  
times,  
within  
the  
Company's  
covenant,  
which  
requires  
this  
ratio  
to

be  
less  
than  
4.75  
times  
at  
December  
31,  
2014.  
Note:  
For  
more  
details  
regarding  
consolidated  
funded  
debt,  
consolidated  
funded  
debt  
less  
qualified  
cash  
and  
Adjusted  
EBITDA,  
please  
refer  
to  
the  
Company's  
SEC  
filings.  
23  
As of  
(in millions, except ratio)  
December 31,  
2014  
Total debt  
1,602.3  
\$  
Plus:  
Letters of credit outstanding  
18.2  
Consolidated funded debt  
1,620.5  
Less:  
Domestic qualified cash  
(1)  
25.9

Foreign qualified cash

(1)

21.9

Consolidated funded debt less qualified cash

1,572.7

\$

Adjusted EBITDA

404.6

\$

Consolidated funded debt less qualified cash to Adjusted EBITDA

(2)

3.89 times

Adjusted Operating Expenses  
2014 Adjusted Operating Expenses  
24  
Note  
1:  
Integration  
costs  
represents  
costs,  
including  
legal  
fees,  
professional

fees  
and  
other  
charges  
to  
align  
the  
businesses  
related  
to  
the  
Sealy  
acquisition.

Note  
2:  
Financing  
costs  
represent  
costs  
incurred  
in  
connection  
with  
the  
amendment  
of  
our  
senior  
secured  
credit  
facility.

Tempur Sealy International, Inc.

Year Ended

(in millions, except percentage amounts)

December 31,

2014

Consolidated net sales

\$2,989.8

Selling and marketing expenses

619.9

General, administrative and other expenses

280.6

Operating Expenses

900.5

Operating Expenses as a % of Consolidated Net Sales

30%

Operating Expenses

\$900.5

Less: Integration and financing costs

43.8

Operating Expenses less Integration and financing costs

\$856.7

Adjusted Operating Expenses as a % of Consolidated Net Sales

29%

Adjusted Operating Margin

2014 Adjusted Operating Income and Margin

25

Note 1: Integration costs represents costs, including legal fees, professional fees and other charges to align the businesses related to the acquisition.

Note 2: Financing costs represent costs incurred in connection with the amendment of our senior secured credit facility.

Tempur Sealy International, Inc.

Year Ended

(in millions, except percentage amounts)

December 31,

2014

Operating Income, Tempur Sealy International, Inc.

\$276.3

Consolidated net sales

2,989.8  
Operating Margin (GAAP)  
9.2%  
Operating Income, Tempur Sealy International, Inc.  
\$276.3  
Plus: Integration and financing costs  
43.8  
Adjusted Operating Income  
\$320.1  
Consolidated net sales  
2,989.8  
Adjusted Operating Margin (Non-GAAP)  
10.7%

Free Cash Flow  
2014 Free Cash Flow  
26  
Tempur Sealy International, Inc.  
Year Ended  
Year Ended  
(in millions)  
December 31,  
December 31,  
2013  
2014  
Net cash provided by operating activities  
\$98.5

\$225.2

Less: Purchases of property, plant and equipment

40.0

47.5

Free Cash Flow

\$58.5

\$177.7

Constant Currency Information

In  
this  
investor  
presentation  
the  
Company  
refers  
to,  
and  
in  
other  
press

releases  
and  
other  
communications  
with  
investors  
the  
Company  
may  
refer  
to,  
net  
sales  
or  
earnings  
or  
other  
historical  
financial  
information  
on  
a  
constant  
currency  
basis  
or  
excluding  
FX ,  
which  
is  
a  
non-GAAP  
measure.  
These  
references  
to  
constant  
currency  
basis  
do  
not  
include  
operational  
impacts  
that  
could  
result  
from  
fluctuations  
in

foreign  
currency  
rates.  
To  
provide  
information  
on  
a  
constant  
currency  
basis,  
the  
applicable  
financial  
results  
are  
adjusted  
based  
on  
a  
simple  
mathematical  
model  
that  
translates  
current  
period  
results  
in  
local  
currency  
using  
the  
comparable  
prior  
year  
period's  
currency  
conversion  
rate.  
This  
approach  
is  
used  
for  
countries  
where  
the  
functional  
currency

is  
the  
local  
country  
currency.  
This  
information  
is  
provided  
so  
that  
certain  
financial  
results  
can  
be  
viewed  
without  
the  
impact  
of  
fluctuations  
in  
foreign  
currency  
rates,  
thereby  
facilitating  
period-to-period  
comparisons  
of  
business  
performance.  
The  
information  
presented  
on  
a  
constant  
currency  
basis  
is  
not  
recognized  
under  
U.S.  
GAAP,  
and  
this  
information

is  
not  
intended  
as  
a  
substitute  
for  
reviewing  
information  
presented  
on  
a  
GAAP  
basis.  
27