

TEMPUR SEALY INTERNATIONAL, INC.  
Form DEFA14A  
April 06, 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:
  
  
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  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
  - (1) Amount previously paid:
  
  
  - (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Explanatory Note:**

An investor presentation titled "Executing on a Clear Strategy to Drive Superior Stockholder Value" will be made available/released on or after April 3, 2015.

Tempur Sealy International, Inc.  
Stockholder Discussion Materials  
New York, NY  
April 6, 2015  
Executing on a Clear Strategy to Drive  
Superior Stockholder Value

Forward-Looking Statements

TEMPUR, Tempur-Pedic, TEMPUR-Cloud, TEMPUR-Choice, TEMPUR-Weightless, TEMPUR-Contour, TEMPUR-Rhapsody, TEMPUR-UP, TEMPUR-Neck, TEMPUR-Symphony, TEMPUR-Comfort, TEMPUR-Traditional, TEMPUR-Home, Sealy, Sealy names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks are the property of their respective owners. Additional information concerning these and other risks and uncertainties are discussed in the Company's filings with the Securities and Exchange Commission, including 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." This forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to update or revise these forward-looking statements in light of new information, future events or circumstances after the date on which such statements are made or to reflect the occurrence of anticipated or unanticipated events or circumstances. In this investor presentation we provide or refer to certain historical information for the Company. For a more detailed discussion of these risks, see the Company's SEC filings.

2

This investor presentation contains "forward-looking statements," within the meaning of the federal securities laws, which include, but are not limited to, statements regarding the Company's business plans, objectives, goals, strategies and other information that is not historical information. When used in this presentation, the word "will" and similar expressions are intended to indicate that the speaker is making a forward-looking statement.

"anticipates," "projects," "plans," "proposed," "intends," "believes," and variations of such words or similar expressions are in forward-looking statements include, without limitation, statements relating to the Company's expectations regarding its key strategic expectations regarding the Company's net sales, adjusted EBITDA, adjusted EPS, operating income, synergies, pricing increases, gains, planned improvements in manufacturing and distribution, expectations regarding net sales growth rates, sales growth opportunities, improvements, the impact of foreign exchange, the Company's leverage ratio and expectations regarding growth opportunities for stockholders. All forward looking statements are based upon current expectations and beliefs and various assumptions. There are no assurances that 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 presented in this presentation. These risk factors include risks associated with the Company's capital structure and increased debt level; the ability to complete operations and realize cost and revenue synergies and other benefits from the transaction; whether the Company will realize the benefits and the acquisition of brand rights in certain international markets in 2014; general economic, financial and industry conditions; consumer confidence and the availability of consumer financing; changes in product and channel mix and the impact on the Company's growth; the macroeconomic environment in both the U.S. and internationally on the Company's business segments; uncertainties arising from fluctuations in exchange rates on the Company's reported net sales and earnings; consumer acceptance of the Company's products; industry competition; the Company's advertising campaigns and other marketing programs; the Company's ability to increase sales productivity within the Company's retail channel, including the timing of opening or expanding within large retail accounts and the timing and success of new retailers on revenues and costs; the Company's ability to expand brand awareness, distribution and new products; the Company's ability to product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; the effect of operations; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carry forward; regulatory or litigation proceedings; changing commodity costs; and the effect of future legislative or regulatory changes.

Except where the context otherwise requires, the terms "we," "us" or "our" or the "Company" refer to Tempur Sealy International, Inc.

Agenda

3

Tempur Sealy Today: Creating a Global Bedding Leader

Key Strategic Actions to Drive Value

Experienced Team With Proven Track Record

Setting the Record Straight on H Partners

Conclusion: Right Team in Place to Enhance Stockholder Value



Executive Summary

4

VOTE THE WHITE PROXY CARD FOR TEMPUR SEALY'S  
EXPERIENCED AND HIGHLY QUALIFIED DIRECTORS:

Note 1: Total shareholder return includes stock price appreciation and dividends reinvested. Represents performance from August 2014 to August 2015.

Our  
Board  
and  
Management  
Team  
have  
been  
a

critical  
part  
of  
our  
ability  
to  
deliver  
solid  
results  
and  
drive  
stockholder  
value  
including  
a  
total  
shareholder  
return  
of  
493%  
since  
Mr.  
Sarvary  
joined  
as CEO  
(1)  
We  
have  
successfully  
completed  
the  
acquisition  
of  
Sealy  
Corporation  
creating  
a  
global  
bedding  
leader  
with  
a  
complete  
and  
complementary  
portfolio  
of  
brands  
We  
are

focused  
on  
driving  
strong  
margins  
and  
long  
term  
growth  
through  
reinvestment  
in  
the  
business  
as  
evidenced  
by  
Tempur  
North  
America's  
return  
to  
a  
position  
of  
strength  
and  
profitability  
We  
are  
leveraging  
our  
global  
scale  
to  
execute  
our  
international  
growth  
plan  
by  
increasing  
distribution,  
brand  
awareness  
and  
product  
offerings  
We  
believe

H  
Partners  
has  
outlined  
no  
constructive  
steps  
to  
enhance  
the  
Company's  
strategy,  
capital  
structure  
or  
operating  
plans,  
but  
rather  
advocates  
high-risk,  
value-destroying  
leadership  
changes  
Evelyn  
S.  
Dilsaver,  
Frank  
Doyle,  
John  
A.  
Heil,  
Peter  
K.  
Hoffman,  
Sir  
Paul  
Judge,  
Nancy  
F.  
Koehn,  
Christopher A. Masto, P. Andrews McLane, Lawrence J. Rogers, Mark Sarvary and Robert B. Trussell, Jr.

Tempur Sealy Today: Creating a Global Bedding Leader  
5

Leading manufacturer and distributor of bedding products with a truly global footprint  
Leading bedding provider in the U.S. with approximately 32% market share

in  
2014  
(1)  
(Sealy  
~19%,  
Tempur-Pedic  
~13%);  
#1  
market  
share  
in  
Canada

(1)  
Broad distribution in all traditional and alternative channels, including e-commerce  
Strong positions in many international markets throughout Europe, Asia Pacific and  
Latin America

Complete and complementary product offering of mattresses, adjustable bases,  
foundations and other accessories such as pillows

Completed the transformative acquisition of Sealy in 2013, creating a  
complete and complementary portfolio of brands and products

Attractive  
opportunity

given  
the  
difficult  
economic  
and  
industry

trends  
facing  
Sealy

at  
the time of the acquisition

Funded with low-cost debt, preserving the ability to pursue strategic growth  
opportunities and reinvest in the combined Company

Organizational integration in North America has been successful and is now essentially  
complete

Increased  
cost  
synergy

target  
from  
\$40

million  
to  
\$70

million  
(2)

Long-term  
revenue

synergy

target

of

\$500

million

(2)

Re-launched entire Sealy product lineup within approximately 18 months of

acquisition close

Strong financial profile

FY2014

net

sales

of

approximately

\$3.0

billion

and

adjusted

EBITDA

of

\$405

million

(3)

\$3.4

billion

market

capitalization

(4)

Net leverage of 3.9x

(5)

Global Leader in the Bedding Manufacturing Industry

6

Tempur

International

Tempur

North America

Sealy

2014 Sales by Segment

2014 Sales by Region

United States

Europe

Canada

Asia Pacific

Latin America

33%

16%

51%

73%

7%

11%



Note 1: Market share estimates for 2014 and market share leadership in Canada are based on management estimates.

Note 2: Cost and revenue synergy targets presented on a constant currency basis. For information on the methodology used to at the end of this presentation.

Note 3: Adjusted EBITDA is a non-GAAP financial measure. GAAP net income for 2014 was \$108.9 million. For more information on GAAP Financial Measures at the end of this presentation.

Note 4: Based on basic shares outstanding. Calculated as of March 27, 2015.

Note 5: Net leverage refers to the ratio of Consolidated Funded Debt less Qualified Cash to Adjusted EBITDA, which are all measured on a trailing twelve month basis. For more information about this leverage calculation and the related non-GAAP financial measures, please refer to the Company's financial statements and related notes included in the Company's annual report on Form 10-K for the year ended December 31, 2014.

Note 1: 2014

Mattress

Industry

Consumer

Research

U.S.

Market.

Note 2: Based on management estimates.

Note 3: Presence includes subsidiaries, joint ventures, third party and licensee markets.

Complete and Complementary Portfolio of Brands

7

Tempur-Pedic:

#1  
U.S.  
brand  
people  
are  
most  
interested  
in  
purchasing  
(1)  
Stearns & Foster:

#1  
U.S.  
brand  
in  
luxury  
innerspring  
sales  
(2)  
Sealy:

#1  
U.S.  
brand  
in  
total  
awareness  
(1)

#1  
U.S.  
brand  
people  
are  
most  
likely  
to  
buy  
(1)  
The Industry's Only Truly Global Company  
Luxury  
Premium  
Mid-Price  
Value  
Tempur  
Sealy  
Presence  
(3)

Global scale creates critical competitive advantages

Creating Significant Value for Stockholders

8

Peer Median

S&P 500

Tempur Sealy

Total

Shareholder

Return

Under

Mr.

Sarvary s

Leadership

(1)

1541%  
920%  
670%  
519%  
493%  
449%  
432%  
420%  
314%  
272%  
235%  
211%  
209%  
205%  
199%  
174%  
167%  
121%  
124%  
102%  
96%  
91%  
40%  
15%  
13%  
SCSS  
UA  
PII  
HBI  
TPX  
CRI  
WSM  
JAH  
BC  
COLM  
HAR  
LEG  
GIL  
MHK  
FOSL  
NWL  
WWW  
SCS  
TUP  
DECK  
HAS  
S&P  
500  
LXK  
DIIB

MLHR

+493%

+209%

+91%

Note 1:

Peer group as outlined in Tempur Sealy Form 10-K for the year ended December 31, 2014. Mattress Firm Holding Corp. is excluded from its

IPO

was

completed

on

November

17,

2011.

Total

shareholder

return

includes

stock

price

appreciation

and

dividends

reinvested.

Represents

performance

from

August

4,

2008,

the

date

Mr.

Sarvary

joined

as

CEO,

to March 27, 2015.

Note 2:

Represents performance from September 26, 2012, the date prior to the announcement of the Sealy acquisition, to March 27, 2015.

of

the

Sealy

acquisition

(2)

Furthermore,

Tempur

Sealy

has

created

approximately  
\$1.8  
billion  
of  
equity  
value  
since  
the  
announcement



Strategic  
Accomplishments  
2009

2014  
Grew  
Tempur  
North  
America  
net  
sales  
from  
\$525

million  
in  
2009  
to  
\$1.0  
billion  
in  
2014,  
a  
14%  
CAGR  
(1)  
Increased  
U.S.  
market  
share  
from  
8%  
in  
2009  
to  
an  
estimated  
13%  
in  
2014  
(2)

Introduced the highly successful TEMPUR-Cloud line, which nearly doubled the Company's U.S. mattress business  
Acquired Third Party Distributor in Canada

Grew  
Tempur  
International  
net  
sales  
from  
\$306  
million  
in  
2009  
to  
\$472  
million  
in  
2014,  
a  
9%  
CAGR  
(1)  
Increased distribution and brand awareness and expanded product offering significantly since 2009  
Positioned

the  
Company  
for  
future  
growth  
through  
acquisitions  
of  
Third  
Party  
Distributors  
in  
several  
key  
markets,  
including China, Korea, Brazil and Mexico  
Responded  
aggressively  
when  
the  
competitive  
environment  
in  
North  
America  
changed  
in  
2012  
Completely  
revamped  
Tempur  
North  
America  
mattress  
and  
adjustable  
base  
product  
offering  
Strengthened U.S. retailer economics  
Strategic acquisition of Sealy Corporation created significant stockholder value  
TPX  
shares  
have  
appreciated  
over  
110%  
from  
the  
day

prior  
to  
the  
acquisition  
announcement

(3)  
Today, Tempur Sealy has a complete and complementary brand and product portfolio, with unique global capabilities and unmatched growth opportunities around the world

Enhanced  
stockholder  
value  
through  
the  
repurchase

of  
~20  
million  
shares  
between  
2009

and  
2012

EPS  
of  
\$1.12

in  
2009

(4)  
grew

to  
adjusted  
EPS

of  
\$2.65

in  
2014,

a  
19%  
CAGR

(5)  
Note

1:  
References  
to

Tempur  
North  
America  
in  
this  
presentation

refer  
to  
the  
segment  
used  
in  
2014  
for  
the  
Tempur-Pedic  
business  
in  
North  
America  
and  
references  
to  
Tempur  
International  
in  
this  
presentation  
refer  
to  
the  
segment used in 2014 for the Tempur-Pedic business outside of North America.

Note

2:  
U.S. market share is based on management estimates.

Note 3:

Represents performance from September 26, 2012, the date prior to the announcement of the Sealy acquisition, to March 27, 2013.

Note

4:  
2009 EPS of \$1.12 had no adjustments of the type included in adjusted EPS.

Note

5:  
GAAP  
EPS  
for  
2014  
was  
\$1.75.  
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  
and  
amendments,  
normalized  
tax  
rate  
adjustments  
and  
to  
exclude  
certain  
non-recurring  
items.  
Please

refer  
to  
the  
reconciliations  
under  
Use  
of  
Non-GAAP  
Financial  
Measures  
at  
the  
end  
of  
this  
presentation  
and  
the  
Company's  
SEC  
filings  
for  
more  
information  
regarding  
the  
definition  
of  
adjusted  
EPS.  
9

Built Capabilities in 2014

Product Development:

Launch execution

Global innovation pipeline

Brand Marketing:

New talent and enhanced capabilities, strong media campaign

Strong creative development and media buying

Channel:

Combined field selling organization

Category management

Operations:

Began the combination of our Tempur-Pedic and Sealy logistics networks

Started the transformation of Sealy manufacturing organization





2014 Product Launches

Record number of launches

All delivered on time with high quality

Supporting materials on time

Transitions from old to new were well managed

Contained compelling consumer benefits

Supported with rigorous market research

Offered strong value propositions

Delivered benefits aligned with the brand

promises

Demonstrated capability to develop and execute major product

launches that drive market share

11

Strategic Actions

Results

TEMPUR-Cloud/Contour launch  
was largest ever and very effective  
Stearns & Foster launch delivered  
all-time sales record  
Sealy Innerspring launch returned  
brand to double-digit growth  
Sealy Optimum 2.0 line revitalized

Key Strategic Actions to Drive Value

12

Tempur Sealy Strategic Priorities

13

Leverage global scale for competitive  
advantage

Base

Annual

Targets

(1)

:

Net sales growth of 6% and  
adjusted EPS

(2)

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 .

Targets

are

based

on

constant

currency.

For

information

on

the

methodology

used

to

present

information

on

a

constant

currency

basis,

please

refer

to

Constant

Currency

Information

at

the

end

of

this

presentation.

Note

2:

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  
and  
amendments,  
normalized  
tax  
rate

adjustments  
and  
to  
exclude  
certain  
non-recurring  
items.

Please  
refer  
to  
the  
reconciliations  
under

Use  
of  
Non-GAAP  
Financial  
Measures

at  
the  
end  
of  
this  
presentation

and  
the  
Company's

SEC  
filings  
for  
more  
information

regarding  
the  
definition  
of  
adjusted

EPS.

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



Achievements to Date

14

Strategic Priorities

Achievements to Date

Leverage and strengthen our comprehensive portfolio of iconic brands & products

Revamped entire mattress and adjustable base product offering

Diversified revenue streams: outside of mattresses, have a line of adjustable bases and bedding accessories

Taken actions to drive not only our topline growth, but also growth for retail customers through higher average selling prices

Continued to invest and innovate to maintain industry leadership

Expand distribution and seek highest dealer advocacy

Approximately 15,000 points of distribution globally for Tempur and 17,000 for Sealy

Company currently manages approximately 150 stores

To improve advocacy, Company is investing in in-store training and marketing

Expand margins with focus on driving significant cost improvement

Focused on driving significant margin improvement in 2015-2018

Completed turnaround of Tempur North America, with growth and significant operating margin improvement resuming in 2H 2014

Focused on Sealy assembly operations to drive cost reductions

Certain strategic decisions were taken that lowered margin rate but improved margin dollars (for example, acquisition of Sealy Japan/Europe)

Leverage global scale for competitive advantage

Acquired

Sealy

brand

rights

(Japan,

Continental

Europe

and

Southern Territory

of Brazil) and Tempur distribution rights (Mexico)

Double-digit Tempur International sales growth in Asia Pacific and positive growth in Latin America and Europe in 2014

Sealy

Europe

net

sales

opportunity

exceeds

\$200

million

(1)

;

currently marketing

Stearns & Foster and Sealy Hybrid products in Europe

Accretive acquisitions of licensees and joint ventures

1

2

3

4

5

Note

1:

Target

presented

on

a

constant

currency  
basis.  
For  
information  
on  
the  
methodology  
used  
to  
present  
information  
on  
a  
constant  
currency  
basis,  
please  
refer  
to

Constant  
Currency  
Information  
at  
the  
end  
of  
this

presentation.

Strong focus on global distribution while maintaining high standards with partners

Significant reinvestment has been made in positioning for long term growth

Capitalize on opportunities in each key geography and optimize licensee and JV relationships

Leverage scale for product development, distribution and brand development

Integrated businesses where we had overlap

Amended credit facility to improve financial flexibility around this strategy

Strong  
track  
record

of  
acquiring  
Tempur  
3 party  
distributors;  
opportunity

to  
acquire  
outstanding

joint  
ventures,  
licensees  
and  
3  
party  
distributors  
rd  
rd  
Guided 50bps of annual operating margin improvement (internal goal of  
100bps)  
(1)

Returning Tempur North America to a Position of  
Strength and Profitability

15

Well positioned to continue to gain market share  
and drive margin improvement

Tempur Sealy has a complete and complementary portfolio of brands and products

We expect strong market share gains in 2014 to continue

Growth from new products, effective marketing and channel synergies

Robust product pipeline

Commitment to strengthening brands

Effective trade customer support

Focused on improving profitability

Driving price and mix

Capturing synergies  
Operating cost productivity

Returning Tempur North America to a Position of  
Strength and Profitability (*Cont d*)

Our first half of 2014 investments are paying off as sales grew double-digits and margins expanded considerably in the second half of 2014 as compared to the second half of 2013

2015

guidance

assumes

significant

further

margin

improvement

(1)

Volume leverage, cost productivity, pricing and fewer floor model launch costs

16

Tempur North America

2013 vs. 2014

Tempur North America

2H 2013 vs. 2H 2014

GAAP Operating Margin

Adjusted Operating Margin

(2)

Note 1:

2015

operating

margin

improvement

based

on

management

estimates.

Please

refer

to

Forward

Looking

Statements .

Note 2:

Adjusted operating margin (operating margin less corporate expense) is a non-GAAP financial measure. GAAP operating margin compared

to

the

second

half

of

2013.

For

information

on

Tempur

North

America

adjusted

operating

margin

and

a

reconciliation

to

GAAP

operating

margin

please

refer



to  
Use  
of  
Non-GAAP  
Financial  
Measures  
at  
the  
end of this presentation.  
7.4%  
8.5%  
16.5%  
16.1%  
2013  
2014  
8.9%  
12.1%  
15.8%  
19.5%  
2H13  
2H14  
370bps  
Improvement

Intensely Focused on Enhancing Margins

Sealy U.S.

Gross Margin

Improvement

(2)

Adj. Operating

Expense Leverage

(3)

Cost

Synergies

(4)

2015 Pricing

Total

Incremental  
Operating  
Income  
Targets  
by  
2018

(1)  
17

Note 1: Represents initiatives to be achieved by 2018. Our expectation is that they will ramp through the period. Approximate on February 5, 2015. See Forward Looking Statements .

Note 2: Refers  
to

Sealy  
gross  
margin  
improvement  
in  
the  
U.S.  
Sealy  
gross  
margin  
improvement  
excludes  
the  
benefit  
from  
cost  
synergies.

Note 3:  
Adjusted  
operating  
expense  
is  
a  
non-GAAP  
financial  
measure.  
For  
information  
on  
adjusted  
operating  
expense  
please  
refer  
to  
Use  
of  
Non-GAAP

Financial  
Measures

at  
the  
end  
of  
this  
presentation.

Note 4:

Cost synergies reflect annualized cost synergies from the Sealy transaction.

\$45 million

\$30 million

\$25 million

\$25 million

\$125 million

These initiatives alone are expected to provide more than 300bps of  
operating margin improvement

Continuing to Successfully Integrate Sealy

18

Note 1:

Sealy's net sales for its fiscal year ended December 2, 2012 were \$1.35 billion and Tempur-Pedic International's net sales for

Note 2:

Target  
presented

on

a

constant

currency

basis.

For

information  
on  
the  
methodology  
used  
to  
present  
information  
on  
a  
constant  
currency  
basis,  
please  
refer  
to  
Constant  
Currency  
Information  
at  
the  
end  
of  
this  
presentation.

Note 3:

TRP s are target rating points and are a measure of reach for a specifically targeted audience.  
Transformational acquisition of Sealy significantly increased the scale and complexity of the Company  
Doubled

net  
sales

(1)

More than tripled the number of employees (to 7,100)

Increased the number of manufacturing facilities to 25 from 3

Sealy also manufactures using different technologies than Tempur

The Company has achieved more synergies than initially projected

At the time of the acquisition, projected cost synergies of \$40 million by the end of the third year

Achieved \$45 million by the end of 2014, less than two years after completing the acquisition

Currently  
projecting

\$70

million

in

cost

synergies

by

2018

(2)

A significant portion of the \$45 million of achieved cost synergies has been reinvested into the business

Product Innovation: Increased investment in R&D to increase cadence of new product introductions to drive growth and market

share gains

Marketing:

Reinvested

media

synergies

and

increased

advertising

(e.g.

TRPs

up

20%)

(3)

;

also

invested

in

in-store

marketing

International: Invested in acquiring international Sealy brand and Tempur distribution rights to capitalize on future growth

Re-investment return highlighted by strong sales growth and market share; profitability expected to improve over time as tiered brand structure allows for cascading of technologies and consumer loyalty (repeat purchases)

Sealy Assembly Transformation

Key initiatives within the plants

Standardize best practices

Embed lean principles and eliminate waste

Improve hiring and staffing

Smooth production, reduce overtime

Elevate focus on quality and customer satisfaction, lower returns

Key initiatives across the network

Improve forecasting and demand planning

Reduce SKU complexity

Optimize combined TSI network



Drive total cost reduction

20

Distribution network to service national retailers with considerable efficiency opportunities

Optimizing Warehouse/Distribution Network (2015)

Warehouse/Distribution Network Initiatives

Timing

Consolidated Sealy Ft. Worth, TX facility into Brenham, TX facility

2014

Announced closure of Sealy Batavia, IL facility

2015

Opening Tempur Sealy multi-purpose facility in Plainfield, IN (Indianapolis)

2Q 2015

Opening Tempur Sealy multi-purpose facility in Williamsport, MD

2015

Repositioning Tempur warehouses  
2014/2015  
Sealy Distribution Points  
Tempur Warehouses  
Tempur Sealy Multi-Purpose Facility

Expect To Reverse Gross Margin Trend In 2015  
2015  
margin  
improvement  
to  
be  
driven  
by  
pricing,  
volume  
leverage  
and  
cost

efficiencies,

offset

partially by unfavorable currency, product and channel mix and slight commodity inflation

Excluding FX

(1)

, gross margin is expected to be up approximately 150bps to 200bps

Note 1:

Target

presented

on

a

constant

currency

basis.

For

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methodology

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presentation.

Note 2:

Management estimates. Please refer to Forward Looking Statements .

21

(2)

41.2%

38.5%

39.5%

-

40.0%

2013

2014

2015P

GAAP Gross Margin

Pricing Actions to Drive Margin Improvement

Price increase on Tempur-Pedic adjustable bases (select) in late 2014

Price increase on Tempur-Pedic mattresses (select) in March 2015

22

Note: Prices were increased on select models.

Capitalize on Tempur-Pedic's brand strength: low single-digit pricing actions drive \$25 million of margin improvement

Sealy Europe  
\$200 million net sales opportunity for Continental Europe with Sealy brand based on  
achieving  
a  
similar  
market  
share  
as  
Tempur  
(2)  
Already  
secured  
over



1,000  
retail  
doors  
for  
initial  
placement  
of  
Stearns  
&  
Foster  
and  
Sealy brands in Europe  
Direct Distribution

Distribution in general tends to be very country-specific with few cross national retailers  
Tempur International direct sales (wholly owned or partnership) are a significant vehicle  
for growth (41% CAGR since 2011)

Note 1:

Based  
on  
net  
sales  
for  
Tempur-Pedic  
International  
for  
the  
year  
ended  
December  
31,  
2012  
and  
net  
sales  
for  
Sealy  
Corporation  
for  
the  
year  
ended  
December  
2,  
2012.

Note 2:

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presented  
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presentation.  
Note 3:  
Based  
on  
net  
sales  
for  
Tempur-Pedic  
International  
for  
the  
year  
ended  
December  
31,  
2009  
and  
net  
sales  
for  
Sealy  
Corporation  
for

the  
year  
ended  
November  
29,  
2009.

Executing Global Growth Plan

23

Relatively Modest Global Footprint at the  
Time of Sealy Acquisition

Key Growth Priorities

We Have Positioned the Company for

Growth Going Forward

The Company has a range of growth initiatives which vary  
by country / region and roll up to the overall plan

Today, international represents ~\$600 million in reported net sales;  
however, total brand sales through partnerships is \$1 billion+ globally

1

2

3

4

Increased distribution and brand  
awareness

Expanded product offering  
overseas

Acquired 3rd party distributors  
including China, Korea, Brazil  
and Mexico to set the stage for  
growth going forward

International Sales (millions)

International

North America

Legacy Tempur-Pedic

(1)

Sealy

(1)

North America

International

Tempur-Pedic

Sealy

Tempur

International

Direct

Sales

(millions)

(3)

\$306

\$472

\$76

\$113

\$382

\$585

2009

2014

69%

31%

Tempur Sealy Japan

Acquired the brand rights for Sealy in mid-2014 and subsequently integrated that business into our Japanese Tempur subsidiary

Japan subsidiary anticipated to develop into our largest subsidiary outside of North America

Build Brand Awareness

Brand awareness internationally is significantly lower than in the U.S.

Started making significant investment in the Tempur brand in selected markets

Focus is on effective campaigns (TV ads, promotions, in-store marketing) and increasing visibility on digital channels

\$24

\$37

\$50

\$67

2011

2012

2013

2014

3

8%

92%

### Sealy Europe Is A Key Growth Investment

Sealy  
Europe  
is  
a  
\$200+  
million  
net  
sales  
opportunity  
(1)  
Tempur  
has

mid-single  
digit  
share  
of  
the  
\$4+  
billion  
Continental  
European  
market  
(2)

Sealy Europe opportunity based on achieving a similar market share level to Tempur

Build scale through mixed manufacturing model

Stearns & Foster products are being manufactured in North America and exported to Europe

Sealy Hybrid products transitioned to a higher quality new supplier in Eastern Europe in Q1

Leveraging Tempur Europe infrastructure and premium retail distribution strength

Secured

over

1,000

retail

doors

for

initial

placement

of

Stearns

&

Foster

and

Sealy

in

Europe

Roll-out occurring in all key markets except the UK

Investing to build brand awareness and profitable product portfolio across technologies

Note 1:

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Note 2:

Market share and market size information is based on CSIL World Mattress Report, 2014 (Top 35 Markets Mattress Consumption)

24  
presentation.

**Tempur International Margins Pressured By Sealy Mix**

Tempur International operating margins deteriorated in 2014 vs. 2013 due primarily to launch of Sealy Europe, unfavorable FX and market weakness in Central Europe

International

margins

will

continue

to

be

pressured

by

increased

Sealy



mix,  
however  
in  
the  
future margin dollars will increase as Sealy sales grow in international markets

25

Tempur International

2013 vs. 2014

GAAP Operating Margin

Note: Please refer to Forward Looking Statements .

24.5%

19.4%

2013

2014

Note 1:

Management estimates. Please refer to Forward Looking Statements .

Note 2:

Adjusted EPS (which is a non-GAAP financial measure) is EPS adjusted for the Sealy acquisition and related integration costs component facilities and related equipment, interest and fees incurred in connection with debt refinancings and amendments, n the reconciliations

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Non-GAAP

Financial

Measures

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regarding  
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definition  
of  
adjusted  
EPS.

Note 3:

Targets are based on constant currency, excluding the impact from foreign exchange. For information on the methodology used at the end of this presentation.

DELEVERAGING TO 3X AND RETURNING

VALUE TO STOCKHOLDERS

NET SALES GROWTH

OPERATING MARGIN IMPROVEMENT

ADJUSTED EPS GROWTH

(2)

6%

50bps

15%

Annual Base Growth Targets 2015-2018

(1)

Targets are Based on Constant Currency

(3)

Foundation is Set to Meet Growth Targets

26

2015 Guidance Consistent With Higher Margin Targets

FX Adjusted

(1)(2)

Guidance Range

(1)

Net Sales Growth

2% to 5%

5.5% to 8.5%

Adjusted

Operating

Margin

(3)

Growth

~10 to 80bps

~80 to 150bps

Adjusted

EPS

Growth

(4)

2% to 17%

12% to 27%

Guidance

Mid-Point

FX Adjusted

(1)(2)

7.0%

~115bps

20%

27

Note 1:

The Company issued guidance on February 5, 2015 for full year 2015 Net Sales of \$3.050 billion to \$3.150 billion and adjusted

Please refer to Forward Looking Statements .

Note 2:

Targets are based on constant currency, excluding the impact from foreign exchange. For information on the methodology used

at the end of this presentation.

Note 3:

Adjusted

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non-GAAP

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Note 4:

Adjusted EPS (which is a non-GAAP financial measure) is EPS adjusted for the Sealy acquisition and related integration costs component facilities and related equipment, interest and fees incurred in connection with debt refinancings and amendments, n

Please

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EPS.

**We Are On Track For Our 2016 Targets**

Based on high end of 2015 guidance and our annual growth targets, we would be

on  
pace  
to  
achieve  
our  
2016  
\$4.00  
Adj.  
EPS  
target,  
on

a

constant

currency

basis

Note:

Management estimates. Please refer to Forward Looking Statements .

Note:

Growth presented is based on the Company s guidance issued on February 5, 2015, which consisted of full year 2015 Net Sales

Note:

2015

Constant

Currency

Adjusted

EPS

adjusts

for

the

negative

foreign

exchange

impact

to

adjusted

EPS

during

2014

and

anticipated

in

2015.

2016

adjusted

EPS

target

is

based

on

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Company s

adjusted

EPS

growth

targets

for

2015-2018

and

is

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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  
and  
amendments,  
normalized  
tax  
rate  
adjustments  
and  
to  
exclude  
certain  
non-recurring  
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adjusted  
EPS.

28

\$2.70

\$3.12

\$3.59

\$2.65

\$3.10

\$3.52

\$4.05

2014

2015 Guidance Range

2015 Constant Currency

Adjusted EPS

2016 Constant Currency

Adjusted EPS Target

Adjusted EPS

Experienced Team With Proven Track Record  
29

History of Strong Results Under Mark Sarvary

30

Committed to delivering and driving stockholder value

Since Mr. Sarvary's appointment as CEO in August 2008, Tempur Sealy has realized a total shareholder return more than 5.4x that of the S&P

500

and 2.3x that

of

the

peer

median

(2)

Furthermore,  
Tempur  
Sealy  
has  
created  
approximately  
\$1.8  
billion  
of  
equity  
value  
since  
the  
announcement  
of  
the  
Sealy  
acquisition

(3)

Leader in Total Shareholder Return

(1)

(Since Mark Sarvary Joined On Aug 4, 2008 to Mar 27, 2015)

Critical to successful execution of Tempur Sealy's strategy  
Directly responsible for development of value enhancing strategy  
Achievements

as

CEO

include

transformative

acquisition

of

Sealy,

highly

successful

introduction

of

TEMPUR-Cloud

mattress line and record number of new product launches in 2014

Maintains important relationships with strategic partners and major customers that are critical to the Company

Broad management capabilities

Veteran of consumer products industry; prior leadership positions include President of Campbell Soup's North America Division, CEO of J. Crew and President of Stouffer Frozen Food division under Nestlé

As President of Campbell Soup's NA division, Mr. Sarvary was responsible for businesses with annual revenues exceeding \$6 billion, including the Campbell Soup, Pepperidge Farm, Pace, Prego and V8 brands, as well as Godiva's global business

Served as an industrial partner to CVC Capital Partners, a global private equity firm, prior to joining the Company

Note 1:

Total

shareholder

return  
includes  
stock  
price  
appreciation  
and  
dividends  
reinvested.

Represents  
performance  
from  
August  
4,  
2008,  
the  
date

Mr.  
Sarvary  
joined  
as  
CEO,  
to  
March  
27,  
2015.

Note 2:

Peer group as outlined in Tempur Sealy Form 10-K for the year ended December 31, 2014. Mattress Firm Holding Corp. exclusion IPO was completed on November 17, 2011.

Note 3:

Represents performance from September 26, 2012, the date prior to the announcement of our Sealy acquisition, to March 27, 2015.

Peer  
Median

(2)  
S&P 500

Tempur Sealy

+493%

+91%

+209%

Best-in-Class Management Team

31

Prior Experience

Executive

Position

Previous Executive Roles

Consumer

Products

International

Year Joined

Tempur Sealy

Tim Yaggi

Chief Operating



Officer

Group President, Masco Corporation

EVP, Whirlpool Corporation

2013

Dale Williams

EVP and Chief

Financial

Officer

CFO, Honeywell Control Products

CFO, Saga Systems

CFO, GE Information Systems

2003

David Montgomery

EVP and

President,

International

President, Rubbermaid Europe

VP, Black & Decker Europe, Middle

East, Africa

2003

Richard Anderson

EVP and

President, North

America

VP, Procter & Gamble

VP, The Gillette Company

2006

Jay Spenchian

EVP and Chief

Marketing

Officer

EVP and CMO, Olive Garden and Red

Lobster

Executive Director, Marketing, General

Motors

2014

Management team possesses substantial consumer products industry  
and international expertise

as well as an integral understanding of Tempur Sealy's business

Well-Balanced Board, With Diverse Experience and  
Senior Leadership

32

Director

Independent

(1)

CEO / President / CFO /

Finance / Legal Experience

Senior Leadership at Company

with Global Operations

Consumer / Retail Experience

Evelyn S. Dilsaver

Frank Doyle

John A. Heil  
Peter K. Hoffman  
Sir Paul Judge  
Nancy F. Koehn  
Christopher A. Mastro  
P. Andrews McLane  
Lawrence J. Rogers  
Mark A. Sarvary  
Robert B. Trussell Jr.

The  
Board  
has  
a  
wide  
range  
of  
expertise,  
diverse  
backgrounds  
and  
complementary  
experience

Note 1: Per NYSE independence rules.

Experienced and Engaged Board Represents All  
Stockholders

33

Nine of eleven Board directors are independent

(1)

Strong record of working to align management compensation with performance

Fully committed to Tempur Sealy; eight of the directors hold no outside public company directorships,  
three directors hold only one or two outside public company directorships

Board members possess relevant skill sets

Mattress industry experience

Branded consumer products marketing and sales

Manufacturing and marketing expertise

International expansion expertise

Finance, accounting and regulatory expertise  
Mergers and acquisitions / corporate finance expertise  
Risk management expertise  
Information technology expertise  
Note 1: Per NYSE independence rules.

Commitment to Best-in-Class Corporate Governance

34

Strong  
record  
of  
stockholder  
friendly  
actions  
and  
responsiveness  
to  
stockholder  
concerns

Separate Chairman and CEO roles since 2002

Nine

of

eleven

Board

directors

are

independent

(2)

Declassified Board

One year terms

Stock ownership guidelines

Highest

ISS

score

of

1

for

corporate

governance

in

2015

(1)

No poison pill in place

Majority voting standard

Clawback policy

Prohibition on hedging or pledging Company securities

Prohibition on re-pricing stock options without stockholder

approval

Note 1:

In contrast, Six Flags Entertainment Corporation has an ISS corporate governance rating of 6 (out of 10), including significant

Mr. Usman Nabi of H Partners is the Chair of the Six Flags Nominating and Corporate Governance Committee.

Note 2:

Per NYSE independence rules.

Setting the Record Straight on H Partners  
35



#### Situation Overview

36

H Partners has demanded the following:

Mark Sarvary be terminated immediately as CEO

P. Andrews McLane, Christopher Masto and Mark Sarvary resign from the Board of Directors

Usman Nabi be appointed to the Company Board

Company assign an interim CEO and undertake a CEO search

Mr. Nabi to become the head of a CEO Search Committee and a member of the Compensation Committee

H Partners has not outlined any constructive steps to enhance the Company's strategy, capital structure, or operating plans

Instead, advocates high-risk and value-destroying leadership changes, while making inaccurate statements about its history of communicating with Tempur Sealy

H Partners has also repeatedly refused to engage in a constructive dialogue with the Board

-  
Summarily dismissed the proposal to identify a mutually acceptable, independent director to add to the Tempur Sealy Board  
-  
Repeatedly refused to discuss anything with management and the Board other than in the context of the Company's  
acceptance of H Partners  
demands  
Leadership transition at this time would be risky and value-destructive to the Company  
Mr. Sarvary is directly responsible for developing and implementing Tempur Sealy's strategy, putting in place a deep bench of  
leadership  
and  
creating  
a  
strong  
performance  
oriented  
culture  
to  
ensure  
its  
successful  
execution  
Mr. McLane and Mr. Masto bring significant experience, the perspective of successful growth equity investors and, together with  
other Board members, provide effective oversight of the Company  
We question how enabling a lone stockholder to unilaterally select a CEO candidate would constitute proper  
corporate governance or sound objective reasoning

#### H Partners Overview

37

H Partners Management is an independent investment firm based in New York City Investment / hedge fund founded by Rehan Jaffer in 2005

Currently has public equity holdings in 5 companies according to its latest 13F filing

Largest public equity holding is Six Flags Entertainment Corporation, which emerged from bankruptcy in 2010 and accounts for approximately 58% of public equity holdings

Currently owns 6,075,000 shares, or approximately

10%, of Tempur Sealy International  
Second largest holding accounting for  
approximately  
26%  
of  
H  
Partners  
public  
equity  
holdings  
As of March 31, 2015, Tempur Sealy's stock price  
has  
appreciated  
83%  
since  
H  
Partners  
initial  
investment  
vs.  
45%  
appreciation  
in  
the  
S&P  
500  
(4)  
In addition, Tempur Sealy's stock has appreciated  
5% YTD (through March 31, 2015) compared to a  
0.4% increase in S&P 500 over the same period  
Historical  
Public  
Equity  
Holdings  
(1)  
12/31/11  
12/31/12  
12/31/13  
12/31/14  
Six Flags  
Entertainment Corp.  
\$548,904  
\$781,689  
\$940,581  
\$708,499  
# of Shares Held  
26,620  
25,545  
25,545  
16,419

% Total Value  
84.1%  
73.0%  
62.6%  
56.5%  
Tempur Sealy  
International Inc.  
--  
\$95,213  
\$318,040  
\$333,578  
# of Shares Held

--  
3,024  
5,894  
6,075  
% Total Value  
--  
8.9%  
21.2%  
26.6%  
Grace W R & Co.  
\$50,971  
\$84,038  
\$126,059  
\$100,267  
# of Shares Held

1,110  
1,250  
1,275  
1,051  
% Total Value  
7.8%  
7.8%  
8.4%  
8.0%  
Remy International, Inc.  
--  
\$46,593  
\$68,929  
\$58,602  
# of Shares Held

--  
2,912  
2,956  
2,801  
% Total Value  
--  
4.4%  
4.6%

4.7%  
Boyd Gaming Corp  
\$25,364  
\$25,564  
\$47,855  
\$53,856  
# of Shares Held  
3,400  
3,850  
4,250  
4,214  
% Total Value  
3.9%  
2.4%  
3.2%  
4.3%  
Sealy Corp.  
(2)  
\$25,140  
\$37,500  
--  
--  
# of Shares Held  
14,616  
17,281  
--  
--  
% Total Value  
3.9%  
3.5%  
--  
--  
Cumulus Media Inc.  
Class A  
\$2,260  
--  
--  
--  
# of Shares Held  
677  
--  
--  
--  
% Total Value  
0.3%  
--  
--  
--  
Total Value  
\$652,640

\$1,070,597

\$1,501,464

\$1,254,802

(3)

Note 1: Dollars and number of shares in thousands. Represents market value at period end. Based on holdings disclosed in S

Note 2: Sealy Corporation was acquired by Tempur-Pedic International on March 18, 2013.

Note 3: Excludes 100,000 shares related to Senior Secured Third Lien Convertible Notes per H Partners Form 13F for Quar

Note 4: Initial investment represents the last day of quarter (12/31/2012) of first investment by H Partners in Tempur Sealy a

H Partners

Inconsistent Communication Highlights

Questionable Motives

38

In 2008

Tempur-Pedic recruited a

CEO [Mark Sarvary] who previously

worked at the Campbell Soup

Company, J. Crew and Nestle. These

managers

strong consumer and

general management backgrounds

have enabled Tempur-Pedic and



Select Comfort to succeed.

H Partners Letter to Sealy Corporation  
(11 March 2012)

Congratulations on moving the Sealy acquisition forward. We appreciate the thoughtfulness, focus, and hard work of Tempur-Pedic's Board and management team. We now own 3.4 million shares of Tempur-Pedic because we believe in Tempur's management and brand, and because a combined Tempur and Sealy will be a formidable company.

H Partners email to Andy McLane,  
Chairman of the Board  
(12 March 2013)

Congratulations on your progress in the second quarter. In particular, we were impressed by Tempur North America's growth. We know how much work went into stabilizing this segment, and we are very appreciative. Between Tempur North America's resumed growth trajectory, Sealy's continued market share gains, and an expanding international presence for both brands, the company's future is bright. Thanks for your leadership

H Partners email to Mark Sarvary and other members of Tempur Sealy management  
(25 July 2014)

Note:

Permission to use quotations neither sought nor obtained.

Tempur Sealy is dedicated to communicating with all of its stockholders and values constructive input toward the goal of enhancing stockholder value

H Partners has made inconsistent inaccurate statements about its interactions with the Company

Sudden critical public stance is inconsistent with its previous positive communications regarding the Company's performance

To that end we

have  
communicated  
and  
been  
open  
to  
communications  
with

H  
Partners

The first time that H Partners raised specific concerns regarding management and Board changes was on a phone call with the Company's Chairman on February 7, 2015

During

H  
Partners

2012  
campaign

at  
Sealy,

H  
Partners

pointed  
to

Mark  
Sarvary's

strong  
consumer

and  
general

management  
background

as

an example of the qualities that enabled Tempur-Pedic to succeed

H Partners has commended Board and management for strategic oversight, leadership and progress against its plan

Response To H Partners

Allegations

39

Allegations

Responses

Note 1:

Total

shareholder

return

includes

stock

price

appreciation

and  
dividends  
reinvested.

Represents  
performance  
from

August

4,  
2008,

the  
date

Mr.

Sarvary

joined

as

CEO,

to

March

27,

2015.

Note 2:

Total shareholder return includes stock price appreciation and dividends reinvested. Represents performance from September 2012 to September 2014. The company realized a total shareholder return of 131%, Tempur Sealy of 111%, the S&P 500 of 52% and Select Comfort of 9%.

Note 3:

As per Company disclosed FY 2012-2014 adjusted EBITDA.

Note 4:

Net

sales

of

\$1.40

billion

for

Tempur-Pedic

International

for

its

fiscal

year

ended

December

31,

2012,

and

net

sales

of

\$1.35

billion

for

Sealy

Corporation  
for  
its  
fiscal  
year  
ended  
December  
2,  
2012.  
Note 5:  
Represents  
initiatives  
to  
be  
achieved  
by  
2018.  
Our  
expectation  
is  
that  
they  
will  
ramp  
through  
the  
period.  
Approximately  
30%  
of  
the  
total  
\$125  
million  
is  
incorporated  
into  
our  
full  
year  
2015  
adjusted  
EPS  
guidance  
issued  
in  
February  
2015.  
See  
Forward

Looking Statements .

Low Shareholder

Returns

Tempur

Sealy

has

realized

a

total

shareholder

return

of

493%

since

Mr.

Sarvary

joined

as

CEO

(1)

Since Mr. Sarvary joined as CEO, Tempur Sealy stock has significantly outperformed peers and the broader market, generating

than

5.4x

that

of

the

S&P

500

(1)

Since announcing the acquisition of Sealy in September 2012, a clear strategic pivot, Tempur Sealy has significantly outperformed

Comfort

and

the

S&P

500

and

performed

in-line

with

Mattress

Firm

(2)

Poor Performance

Under CEO

Until 2012, Tempur-Pedic had limited competition in the visco-elastic category it created and has led for 20 years; Mr. Sarvary

successfully

navigated

the

Company

through

a  
competitive  
onslaught,  
executing  
an  
aggressive  
change  
in  
strategy  
to  
the  
benefit  
of stockholders

Transformational acquisition of Sealy Corporation created a complete, diversified brand portfolio that has positioned the Company as a truly global player in the bedding manufacturing industry

Mr. Sarvary has led the successful implementation of an international growth strategy, redesigned the product portfolio and assembled a management team with relevant executive level experience and background

Declining Profitability

Under CEO

Time period chosen by H Partners to compare profitability demonstrates a lack of understanding of the sector

The shift in mattress industry dynamics has led to lower profitability for all participants; since 2012, Select Comfort has realized a decline in profitability

comparable

to  
Tempur  
Sealy

(3)

The acquisition of Sealy Corporation, a lower margin manufacturer with sales comparable to Tempur-Pedic International, led to a decline in lower

margins

for  
the  
combined  
company

(4)

Management remains intensely focused on enhancing margins and driving profitability, with operational objectives in place that will generate

approximately

\$125  
million

in  
operating  
income  
improvement

(5)

by  
2018

Response To H Partners

Allegations (*Cont d*)

40

Allegations

Responses

Loss of Premier

Position in Foam

Tempur

never

lost

its

premier

position



in  
foam;  
its  
position  
was  
challenged

in  
2012,  
and  
Tempur  
took  
decisive  
actions  
to  
retain  
its leadership

including revamping its entire product line

Tempur's premier position today is evidenced by its ability to gain market share in 2014, record double digit topline growth in 2H 2014 and increase prices on select models in 2015

We  
believe  
Tempur  
Sealy  
has  
the  
strongest  
brands  
in  
the  
mattress  
sector  
due  
to  
a  
commitment  
to  
advertising  
and  
brand  
building, product  
development and customer advocacy

Ineffective Sealy  
Integration

Transformational acquisition of Sealy Corporation significantly increased the scale of the Company: added \$1.35 billion in net employees and 22 manufacturing facilities, with different technologies than Tempur

Tempur Sealy has achieved more cost synergies than originally anticipated, \$45 million through 2014 compared to the original \$20 million, and is expecting an additional \$25 million of annual cost synergies prior to 2018

A significant portion of the \$45 million of cost synergies achieved to date has been reinvested into the business; the Company has also realized significant long-term revenue synergies from a broader product offering and access to more channels, including international e-commerce

The Company continues to attract new partners and maintains strong relationships with existing partners, including Mattress Firm

customer and the largest mattress retailer in the U.S.; indeed, on February 23, 2015, Mattress Firm announced that it had presented Sealy with the Strategic Partnership of the Year award

Lack of Board /  
Stockholder Alignment

The  
Board  
is  
comprised  
of  
11  
highly-qualified  
directors,  
all  
of  
whom  
are  
independent

(1)  
other  
than  
Mr.  
Sarvary  
and  
Lawrence  
Rogers,  
Sealy  
Corporation's former CEO

To enhance the interests between Tempur's stockholders and its leadership, the Company requires its executives and directors to own

a  
meaningful,  
minimum  
level  
of  
stock.

Its  
Board  
and  
management  
team  
collectively  
beneficially  
own  
approximately  
5.63%  
of  
the  
shares  
outstanding.

Notably,

Mr.  
Mc  
Lane  
and  
his  
spouse  
beneficially  
own  
or  
control  
approximately  
1.30%  
of  
the  
Company's  
outstanding  
shares

(2)

The Board has constructed a compensation structure that appropriately rewards top management for performance; In 2012, when Pedic International struggled due to competitive pressures, Mr. Sarvary realized ~27% of his target compensation

All stock transactions effected by Board members, including Mr. Masto and Mr. McLane, are in compliance with SEC regulations

Company's  
policies  
including  
trading  
window  
and  
pre-clearance  
requirements

Note 1:

Per NYSE independence rules.

Note 2: Beneficial ownership calculated as described in the Company's proxy statement. Information for Mr. McLane included in the proxy statement plus 288,729 shares owned by a private charitable foundation formed and controlled by Mr. McLane and his spouse.

Response To H Partners

Allegations (*Cont d*)

41

As a leading global developer and manufacturer of bedding products, Tempur Sealy cannot be compared to an amusement park emerging from bankruptcy; the drivers of historical value creation at Six Flags Entertainment Corporation are not relevant or a Sealy's future success

With

a

depressed

effective

entry

valuation

multiple

typical  
in  
a  
bankruptcy  
situation,  
and  
with  
Six  
Flags  
operating  
performance  
at recession lows,  
the value of H Partners  
equity upon Six Flags  
emergence from bankruptcy was only poised to increase, regardless of its leadership team,  
competitive landscape or industry dynamics  
Interestingly,  
in  
the  
time  
since  
its  
emergence  
from  
bankruptcy,  
Six  
Flags  
stock  
has  
largely  
tracked  
that  
of  
its  
key  
public  
comparable,  
Cedar  
Fair  
(3)  
,  
and  
margins  
merely  
returned  
from  
bankruptcy-level  
margins  
to  
industry

levels

(4)

Tempur Sealy has an ISS corporate governance rating of 1, the highest possible score. In contrast, Six Flags has an ISS corporate

governance rating of

6

(out

of

10),

including

significantly

lower

scores

than

Tempur

Sealy

in

the

area

of

Board

Structure

and

Compensation.

Mr.

Usman

Nabi

of

H

Partners

is

the

Chair

of

the

Six

Flags

Nominating

and

Corporate

Governance

Committee

Six Flags Solution for

Tempur Sealy

Improper Relationship

with USSA

Consistent

with

its

tactics  
of  
offering  
no  
constructive  
ideas  
to  
create  
value  
while  
promoting  
its  
own  
value-destructive  
self-serving

agenda, H Partners has asserted that the Company's marketing relationship with the U.S. Ski and Snowboard Association (the USSA) is somehow improper because of Mr. McLane's position as a director of the USSA. We note the following:

Tempur Sealy is a proud sponsor of a number of athletic organizations, including the PGA Tour and the USSA, a non-profit organization. The USSA sponsorship reaches a key demographic for Tempur Sealy and targets customers on nationally televised programming. The cost for the USSA sponsorship totaled only approximately \$325,000 for 2014, a small fraction of Tempur Sealy's \$327 million advertising spend for the year.

Tempur Sealy is among dozens of companies that are corporate sponsors of the USSA, including Audi, Bose, Charles Schwab,

Delta  
Airlines,  
Goodyear,  
Kellogg's,  
Liberty  
Mutual,  
P&G,  
Putnam  
Investments,  
Sprint,  
The  
North  
Face  
and  
Visa

(2)  
Missed Short Term

Targets

Despite fundamental changes in the bedding industry, Tempur Sealy has a strong track record of positive performance

During

Mr.

Sarvary's

tenure,

the

Company

has

beat

quarterly

analyst  
net  
sales  
and  
adjusted  
EPS  
estimates  
nearly  
80%  
of  
the  
time  
(1)

In 2014, Tempur Sealy met its adjusted EPS guidance with net sales coming in above plan, exceeding the top end of the Company's year net sales guidance by 3%

Note 1:

Company performance vs. median consensus estimates from Q1 2009 to Q4 2014 as per FactSet. Adjusted EPS is a non-GAAP measure, please refer to "Use of Non-GAAP Financial Measures" at the end of this presentation.

Note 2:

As per the USSA website.

Note 3:

Six Flags and Cedar Fair total shareholder return of +491% and +437%, respectively. Represents performance from May 11, 2009 to May 11, 2014. Total shareholder return includes stock price appreciation and dividends reinvested.

Note 4:

In 2014, Six Flags had an Adj. EBITDA margins of 37.4% compared to 21.2% in 2009. Cedar Fair had an Adj. EBITDA margin of 21.2% in 2014. For more information, please refer to "Allegations and Responses" at the end of this presentation.



H Partners Timeline

Mar. 2012:

H Partners

letter

to

Sealy

Board:

Praise

for

Tempur-Pedic

Board

for

conducting

broad  
and  
effective  
CEO  
search  
Mar. 2013:  
Usman  
Nabi s  
email  
to  
Andy  
McLane:  
Support  
for  
Board  
and  
Management  
strategy;  
request  
for  
in  
person  
meeting  
in  
Boston  
later  
in  
the  
month.  
Mr.  
McLane  
responds  
and  
meets  
with  
Mr. Nabi at TA offices  
Sept. 2013:  
Mr.  
Nabi  
emails  
Mr. McLane  
requesting  
an  
in  
person  
meeting.  
Mr.  
McLane  
welcomes  
Mr.

Nabi  
to  
his  
offices  
in  
Boston.  
In  
the  
meeting,  
Mr.  
Nabi  
inquires  
if  
the  
Company  
would  
consider adding  
him  
to  
the  
Board.  
Mr.  
McLane  
tells  
Mr.  
Nabi  
that  
he  
would  
pass  
along  
the  
request  
to  
the  
Nominating  
and  
Corporate  
Governance  
Committee  
for  
consideration,  
and  
if  
the Committee  
wanted  
to  
discuss  
the  
idea

further  
with  
Mr.  
Nabi,  
the  
Committee  
Chairman  
would  
get  
back  
to  
him.  
Mr.  
Nabi  
does  
not  
raise  
this  
issue  
again  
until  
February  
2015  
Feb. 2014:  
H Partners  
sends  
a  
letter  
to  
the  
Board  
regarding  
compensation  
structure  
proposal  
Mar. 2014:  
Board  
responds  
via  
letter  
from  
Mark  
Sarvary  
to  
H  
Partners  
indicating  
that  
the  
Company

would  
include  
H  
Partners  
proposal  
as  
a  
consideration  
for  
the  
Company's  
2015  
compensation  
program  
Jul. 2014:  
Mr. Nabi  
emails  
Mark  
Sarvary  
and  
other  
management  
congratulating  
them  
on  
Q2  
performance  
and  
on  
successful  
strategy  
to  
restore  
Tempur  
NA  
segment  
Dec. 23, 2014:  
Arik  
Ruchim  
emails  
Mr.  
Sarvary  
inviting  
him  
to  
speak  
at  
their  
Annual  
Partner

Dinner  
in  
January.  
Mr.  
Sarvary  
declines  
due  
to  
travel  
plans  
and  
Mr.  
Ruchim  
offers  
to  
catch  
up  
at  
the  
Las Vegas Market in January  
Jan. 18, 2015  
Mr. Ruchim  
speaks  
to  
Mr.  
Sarvary  
in-person  
in  
Las  
Vegas,  
and  
reiterates  
the  
invitation  
to  
speak  
at  
the  
H  
Partners  
annual  
partner  
dinner  
Jan. 27-29, 2015:  
Mr. Nabi  
emails  
Mr.  
McLane  
asking  
for

an  
in  
person  
meeting  
with  
his  
partner  
Mr.  
Ruchim;  
Mr.  
McLane  
responds  
and  
proposes  
a  
late  
February  
or  
early  
March  
meeting  
due  
to  
the  
existing  
Company  
blackout  
period  
and  
his  
travel  
schedule.  
Mr.  
Nabi  
responds  
indicating  
the  
matter  
is  
time  
sensitive  
and  
requests  
a  
call.  
Mr.  
McLane  
reminds  
H  
Partners

of  
the  
blackout  
period  
due  
to  
earnings  
and  
both  
agree  
to  
a  
call  
on  
Feb  
7  
Feb. 7, 2015:  
On  
the  
phone  
with  
Mr.  
McLane,  
Mr.  
Nabi  
of  
H  
Partners  
delivered  
their  
views  
on  
the  
CEO  
and  
made  
demands

immediate  
termination  
of  
the  
CEO,  
placement  
of  
an  
interim  
CEO  
and  
putting



Mr.  
Nabi  
on  
the  
Board,  
joining  
the  
Compensation  
Committee  
and  
in  
charge  
of  
leading  
the  
CEO  
search.

Mr.  
Nabi  
also  
demanded  
that  
four  
Board  
members  
resign  
and  
said  
that  
H  
Partners  
would  
be  
filing  
a  
13D  
the  
following  
week.  
Demanded  
an  
affirmative  
response  
on  
each  
of  
the  
demands  
by  
3

pm  
ET  
on  
February  
13  
or  
else  
H  
Partners  
would  
immediately launch a public fight  
Feb. 10, 2015:

Mr.  
McLane  
emails  
Mr.  
Nabi  
requesting  
a  
dialogue  
to  
understand  
the  
reason  
and  
basis  
for  
Mr.  
Nabi's  
views  
Mr.  
Nabi  
responds  
to  
Mr.  
McLane's  
email

reiterates  
that  
he  
has  
lost  
confidence  
in  
both  
Mark  
Sarvary  
and  
Andy

McLane  
and  
indicates  
he  
has  
no  
interest  
in  
speaking  
other  
than  
to  
discuss  
the  
implementation  
of  
the  
February  
7  
demands.  
Also  
indicates  
that  
he  
is  
expecting  
a  
response  
by  
5pm  
ET  
on  
February  
13  
to  
the  
three  
demands  
made  
on  
February  
7  
Feb. 17 & 19, 2015:  
On  
February  
17,  
H  
Partners  
files  
a

13D  
and  
makes  
public  
a  
letter  
to  
certain  
of  
the  
Company's  
directors.  
After  
the  
Tempur  
Investor  
Day  
presentation  
on  
February  
19,  
Mr.  
Ruchim  
meets  
the  
CEO  
and  
his  
team,  
and  
makes  
a  
verbal  
statement  
largely  
reflecting  
the  
contents  
of  
the  
letter  
previously  
sent  
Mar. 16, 2015:  
Tempur  
files  
proxy  
materials  
and  
mails

letter  
to  
stockholders  
urging  
them  
to  
support  
value-enhancing  
initiatives  
underway  
by  
voting  
for  
the  
Company's  
director  
nominees  
Mr.  
McLane  
emails  
Mr.  
Nabi  
conveying  
the  
Company's  
full  
support  
of  
Mr.  
Sarvary  
and  
further  
stating  
that  
the  
Board  
is  
willing  
to  
work  
with  
H  
Partners  
to  
identify  
a  
mutually  
acceptable,  
independent director to add to the Board  
H Partners

sends  
letter  
to  
Tempur  
Sealy  
demanding  
production  
of  
certain  
of  
the  
Company's  
books  
and  
records  
Mar. 18, 2015:  
H Partners  
responds  
to  
Mr.  
McLane's  
email  
from  
March  
16,  
2015  
and  
rejects  
the  
proposal  
to  
identify  
a  
mutually  
acceptable,  
independent  
director;  
reiterates  
prior  
demands  
Mar. 20, 2015:  
H Partners  
files  
proxy  
materials  
urging  
stockholders  
to  
vote  
against

the  
re-election  
of  
Masto,  
McLane  
and  
Sarvary.  
From  
March  
30,  
2015  
to  
April  
2,  
2015  
H  
Partners  
files  
revised  
proxy materials  
Mar. 30, 2015:  
H Partners  
makes  
public  
a  
second  
letter  
demanding  
additional  
Tempur  
Sealy  
books  
and  
records  
Tempur  
Sealy  
issues  
a  
statement  
highlighting  
H  
Partners'  
lack  
of  
strategy  
and  
correcting  
H  
Partners  
most

recent  
erroneous  
claims  
made  
in  
the  
demand  
Mar. 31, 2015:  
Tempur  
Sealy  
files  
a  
letter  
with  
supplemental  
proxy  
materials  
highlighting  
Tempur  
Sealy's  
focus  
on  
its  
strategic  
priorities  
and  
reiterating  
its  
support  
for  
the  
current  
Board  
42  
Supportive and Constructive Dialogue  
Public Campaign  
th  
th  
th  
th  
th



Conclusion: Right Team in Place to Enhance Stockholder Value

43

Right Strategy  
Right Management Team  
Right Board Leadership  
Global market leader with comprehensive portfolio of  
iconic brands and products  
Clear  
plan  
to  
achieve  
annual  
base  
growth  
targets

(1)

of:

International initiatives on track to capitalize on \$200 million net sales

(1)

opportunity for Sealy in Europe

Proven track record of delivering on the Company's strategy and driving stockholder value

Possesses substantial consumer industry and international expertise

Integral understanding of Tempur Sealy's business

Experienced, engaged directors with relevant skill sets, representing interests of ALL stockholders

Strong, responsive record of stockholder friendly actions

Well-positioned as a global bedding leader

to drive long-term stockholder value

Creating Superior Stockholder Value

44

6% net sales growth

50bps operating margin improvement

15% adjusted EPS

(2)

growth

Note 1:

All targets and the Sealy net sales opportunity are presented on a constant currency basis. For information on the methodology

Note 2:

Adjusted EPS (which is a non-GAAP financial measure) is EPS adjusted for the Sealy acquisition and related integration costs and fees incurred in connection with debt refinancings and amendments, normalized tax rate adjustments and to exclude certain and the Company's SEC filings for more information regarding the definition of adjusted EPS.

Tempur Sealy Urges Stockholders to Support Value-Enhancing Initiatives Underway

45

VOTE THE WHITE PROXY CARD FOR TEMPUR SEALY'S EXPERIENCED AND HIGHLY QUALIFIED DIRECTORS:

Evelyn

S.

Dilsaver,

Frank

Doyle,

John

A.

Heil,

Peter  
K.  
Hoffman,  
Sir  
Paul  
Judge,  
Nancy  
F.  
Koehn,  
Christopher A. Masto, P. Andrews McLane, Lawrence J. Rogers, Mark Sarvary and Robert B. Trussell, Jr.  
Our  
Board  
and  
Management  
Team  
have  
been  
a  
critical  
part  
of  
our  
ability  
to  
deliver  
solid  
results  
and  
drive  
stockholder  
value  
including  
a  
total  
shareholder  
return  
of  
493%  
since  
Mr.  
Sarvary  
joined  
as  
CEO  
(1)  
We  
have  
successfully  
completed  
the

acquisition  
of  
Sealy  
Corporation  
creating  
a  
global  
bedding  
leader  
with  
a  
complete  
and  
complementary  
portfolio  
of  
brands  
We  
are  
focused  
on  
driving  
strong  
margins  
and  
long  
term  
growth  
through  
reinvestment  
in  
the  
business  
as  
evidenced  
by  
Tempur  
North  
America's  
return  
to  
a  
position  
of  
strength  
and  
profitability  
We  
are  
leveraging

our  
global  
scale  
to  
execute  
our  
international  
growth  
plan  
by  
increasing  
distribution, brand awareness and product offerings

We  
believe  
H  
Partners  
has  
outlined  
no  
constructive  
steps  
to  
enhance  
the  
Company's  
strategy, capital  
structure  
or  
operating  
plans,  
but  
rather  
advocates  
high-risk,  
value-destroying  
leadership changes

Note 1: Total shareholder return includes stock price appreciation and dividends reinvested. Represents performance from Aug

The Choice is Clear  
Voting Instructions  
Vote  
Now  
FOR  
the  
Board  
of  
Directors  
of  
Tempur  
Sealy  
Please



Sign,  
Date  
and  
Return  
the  
WHITE  
Proxy  
Card  
Today

If you need assistance in executing your WHITE proxy card or placing your vote, please contact our proxy solicitor:

D.F. King & Co., Inc.

Mail: 48 Wall Street, 22nd Floor, New York, NY 10005

Stockholders Call Toll Free: (877) 283-0319

Banks and Brokers Call Collect: (212) 269-5550

Email: [tpx@dfking.com](mailto:tpx@dfking.com)

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Appendix  
47

Well Positioned For the Future

48

U.S. Bedding Market Share

(1)

September 2009:

highly successful TEMPUR-Cloud  
mattress line and Ask Me  
advertising campaign

August 2008:

Sarvary joined as CEO

September 2012:

Announced the  
acquisition of Sealy

March 2013:

Completed the

acquisition of Sealy

Largely completed the

reinvention of entire

Tempur-Pedic range of

products

Launched TEMPUR-Cloud in

major international geographies;

significant improvements in

Tempur-Pedic distribution

Significant shift in

competition; operating

environment changes

Note 1: Represents percentage of bedding shipments. Information for 2008-2013 market share is based on estimates from Furn

Introduced the

Mark

19.5%

19.6%

18.9%

18.0%

17.8%

17.7%

18.9%

8.2%

8.0%

11.5%

14.0%

12.9%

12.4%

13.0%

27.7%

27.6%

30.4%

32.0%

30.7%

30.1%

31.9%

2008

2009

2010

2011

2012

2013

2014E

Sealy

Tempur

-Pedic

2008

2009

2010  
2011  
2012  
2013  
2014

Experienced Tempur Sealy Board of Directors

49

Note 1: Tempur Sealy entity was formed in 2002, so this year is when Mr. Trussell became a director / CEO of that entity.

#### Use of Non-GAAP Financial Measures

50

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

A reconciliation of adjusted net income and adjusted earnings per share is provided on slide 51. Management believes that the use of these measures provides investors with additional useful information with respect to the impact of various costs associated with the sale of the three U.S. innerspring component facilities and financing costs incurred in connection with the amendment and refinancing of the Company's debt in 2014 and 2013, other income related to certain other non-recurring items, including income from a partial settlement of a legal claim, and other income to a normalized rate related to the aforementioned items and other discrete income tax events.

A reconciliation of EBITDA and adjusted EBITDA from the Company's net income and a reconciliation of total debt to consolidated debt less qualified cash are provided on slides 52 and 53. Management believes that the use of EBITDA and adjusted EBITDA provides useful information with respect to the terms of the Company's senior secured credit facility and the Company's compliance with the terms of the facility. For more information regarding adjusted EPS, adjusted EBITDA and other terms used in the Company's senior secured credit facility, please refer to the Company's SEC filings.

A reconciliation of Tempur North America GAAP operating income and operating margin to adjusted operating income and operating margin and GAAP operating margin less certain corporate expenses, is provided on slide 54. Management believes that the use of these financial measures provides investors with additional useful information with respect to Tempur North America's operating performance and certain corporate 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 55. 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 used to present operating expenses, including the exclusion of integration and financing costs related to the Sealy acquisition.

A reconciliation of GAAP operating income and operating margin to adjusted operating income and operating margin, which is GAAP operating margin less integration and financing costs, is provided on slide 56. Management believes that the use of these financial measures provides investors with additional useful information with respect to the Company's operating income and margin performance and financing costs related to the Sealy acquisition.

Adjusted Net Income/Adjusted EPS

EBITDA/Adjusted EBITDA

Tempur North America Adjusted Operating Income and Margin Reconciliation

Adjusted Operating Expenses

Adjusted Operating Income and Margin



2014

Adjusted EPS Reconciliation

2013 and 2014 Adjusted EPS

Note:

2013 includes Sealy from March 18, 2013 to December 31, 2013, while 2014 includes Sealy for the whole year and according

Note

1:

Loss

on

disposal

of

business

represents

costs  
associated  
with  
the  
disposition  
of  
the  
three  
U.S.  
innerspring  
component  
facilities  
and  
related  
equipment.

Note 2:

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

Note 3:

Financing costs represent costs incurred in connection with the amendment and refinancing of our senior secured credit facility

Note

4:

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

Note

5:

Adjustment  
of  
taxes  
to  
normalized  
rate  
represents  
adjustments  
associated  
with

the  
aforementioned  
items  
and  
other  
discrete  
income  
tax  
events.  
51  
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

52

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

\$

Note 1:

2013 is presented according to the methodology used for the Company's senior secured facilities and is based on the mathematical difference between the twelve months ended December 31, 2013 and Sealy's historical financial results for the pre-acquisition period from December 31, 2012 to December 31, 2013.

Note 2:

Transaction and integration represent costs related to the Sealy acquisition, including legal fees, professional fees and other charges.

Note 3:

Financing charges represent costs incurred in connection with the amendment of our senior secured credit facility and refinancing of the facility prior to the Sealy acquisition.

Note 4:

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

Note 5:

Restructuring and impairment represents costs related to restructuring the Tempur Sealy business and asset impairment costs related to the divestiture of the Tempur Sealy U.S. innerspring component production facility.

Note 6:

Loss on disposal of business represents costs associated with the disposition of the three U.S. innerspring component production facilities. Other income represents losses from Sealy's divested operation prior to the Sealy acquisition.

Note 7: Other income in 2014 includes certain other non-recurring items, including income from a partial settlement of a legal matter.

Debt Reconciliation and Leverage Ratio Calculation

Reconciliation of Total Debt to Consolidated Funded Debt Less Qualified Cash

Note:

For more details regarding consolidated funded debt, consolidated funded debt less qualified cash and adjusted EBITDA, please

refer to

Footnote

1:

Qualified

cash

is

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.

Note 2: The ratio of consolidated debt less qualified cash to adjusted EBITDA was 3.89 times, within the Company's covenants.

53

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

Tempur North America Adjusted Operating Margin  
Reconciliation  
Tempur North America  
Adjusted Operating Income And Operating Margin  
Tempur North America 2013 - 2014  
Year Ended  
Year Ended  
(in millions, except percentage amounts)  
December 31,  
December 31,  
2013  
2014  
Operating Income, Tempur North America segment

\$67.6  
 \$84.9  
 Tempur North America Net Sales  
 910.0  
 993.2  
 Operating Margin (GAAP)  
 7.4%  
 8.5%  
 Corporate expenses included in Tempur North America segment  
 83.0  
 75.5  
 Adjusted Operating Income less corporate expenses  
 \$150.6  
 \$160.4  
 Tempur North America Net Sales  
 910.0  
 993.2  
 Adjusted Operating Margin  
 16.5%  
 16.1%  
 54  
 Tempur North America 2H 2013 vs. 2H 2014  
 Six Months Ended  
 Six Months Ended  
 (in millions, except percentage amounts)  
 December 31,  
 December 31,  
 2013  
 2014  
 Operating Income, Tempur North America segment  
 \$41.5  
 \$65.5  
 Tempur North America Net Sales  
 468.6  
 542.9  
 Operating Margin (GAAP)  
 8.9%  
 12.1%  
 Corporate expenses included in Tempur North America segment  
 32.7  
 40.2  
 Adjusted Operating Income less corporate expenses  
 \$74.2  
 \$105.7  
 Tempur North America Net Sales  
 468.6  
 542.9  
 Adjusted Operating Margin  
 15.8%  
 19.5%

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

and  
other  
charges  
to  
align  
the  
businesses  
related  
to  
the  
Sealy  
acquisition.  
Financing  
costs  
represent  
costs  
incurred in  
connection with the amendment of our senior secured credit facility.

55

Operating Expenses

Adjusted

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

(1)

43.8

\$856.7

Adjusted Operating Expenses as a % of Consolidated Net Sales

29%

Adjusted Operating Margin  
2014 Adjusted Operating Income and Margin  
56  
Note 1: Integration  
costs  
represents  
costs,  
including  
legal  
fees,  
professional  
fees  
and

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

(1)

43.8

Adjusted Operating Income

\$320.1

Consolidated net sales

2,989.8

Adjusted Operating Margin (Non-GAAP)

10.7%



#### Constant Currency Information

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In this investor presentation the Company refers to, and in other press releases and other communications with investors the Company may refer to, net sales or earnings or other historical financial information on a constant currency basis or excluding FX, 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 based on a simple mathematical model that translates current period results in local currency using the comparable prior year period 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, facilitating period-to-period comparisons of business performance. The information presented on a constant currency basis is not recognized under GAAP, and this information is not intended as a substitute for reviewing information presented on a GAAP basis.