

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

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:
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 - (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

"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 can be no assurance 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 successfully integrate operations and realize cost and revenue synergies and other benefits from the transaction; whether the Company will realize the benefits of the acquisition and the acquisition of brand rights in certain international markets in 2014; general economic, financial and industry conditions; changes in consumer confidence and the availability of consumer financing; changes in product and channel mix and the impact on the Company's growth; changes in 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 manage its product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; the effect of changes in operations; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carry forward; changes in 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 non-GAAP financial measures. 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.

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

19

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

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:

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:

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:
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:

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

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

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.

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

operating

margin

is

a

non-GAAP

financial

measure.

For

information

on

the

methodology

used

to

present

adjusted

operating

margin

please

refer

to

Use

of

Non-GAAP

Financial

Measures

at
the
end
of
this
presentation.

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
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.

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

the

Company s

adjusted

EPS

growth

targets

for

2015-2018

and

is

based

on

constant

currency.
For
information
on
the
methodology
used
to
present
constant
currency
information
please
refer
to
Constant
Currency
Information
at
the
end
of
this
presentation.
Note:
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.

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. Masto
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 2007 to September 2015. 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

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 or

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

46

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 of 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) as 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 adjusted earnings per share measure provides investors with additional useful information with respect to the impact of various costs associated with the three U.S. innerspring component facilities and financing costs incurred in connection with the amendment and refinancing of the 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

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.

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

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.