

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 001-31922

**TEMPUR SEALY INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value	TPX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging Growth Company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes  No

The number of shares outstanding of the registrant's common stock as of November 1, 2024 was 173,652,870 shares.

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## Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, (this "Report"), including the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which includes information concerning one or more of our plans; objectives; goals; strategies and other information that is not historical information. Many of these statements appear, in particular, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, ITEM 2 of this Report. When used in this Report, the words "assumes," "estimates," "expects," "guidance," "anticipates," "might," "projects," "predicts," "plans," "proposed," "targets," "intends," "believes," "will," "may," "could," "is likely to" and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon our current expectations and beliefs and various assumptions. There can be no assurance that we will realize our expectations or that our beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from any that may be expressed herein as forward-looking statements in this Report. These risk factors include the impact of the macroeconomic environment including its impact on consumer behavior in both the U.S. and internationally on our business segments and expectations regarding growth of the mattress industry; changes in economic conditions, including inflationary trends in the price of raw materials; uncertainties arising from global events (including the Russia-Ukraine conflict and the conflict in the Middle East), labor costs and other employment-related costs; loss of suppliers and disruptions in the supply of raw materials; competition in our industry; the effects of strategic investments on our operations, including our efforts to expand our global market share and actions taken to increase sales growth including the pending merger with Mattress Firm Group Inc. ("Mattress Firm"); expectations regarding the satisfaction of closing conditions prior to consummation of the acquisition of Mattress Firm, including the outcome of the pending litigation with the U.S. Federal Trade Commission ("FTC"); expectations regarding Mattress Firm's ongoing operations; the ability to successfully integrate Mattress Firm into the Company's operations and realize synergies from the transaction; the possibility that the expected benefits of the acquisition are not realized when expected or at all; general economic, financial and industry conditions, particularly conditions relating to the financial performance and related credit issues present in the retail sector, as well as consumer confidence and the availability of consumer financing; the ability to develop and successfully launch new products; capital project timelines; the ability to realize all synergies and benefits of acquisitions (including the pending merger with Mattress Firm); our reliance on information technology ("IT") and the associated risks involving realized or potential security lapses and/or cyber based attacks; the impact of cybersecurity incidents (including the July 2023 incident) on our business, results of operations or financial condition, including our assessments of such impact; the Company's ability to restore its critical operational data and IT systems in a reasonable time frame following a cybersecurity incident; changes in interest rates; effects of changes in foreign exchange rates on our reported earnings; expectations regarding our target leverage and our share repurchase program; compliance with regulatory requirements and the possible exposure to liability for failures to comply with these requirements; the outcome of pending tax audits or other tax, regulatory or investigation proceedings and pending litigation; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax loss carryforwards; and our capital structure and debt level, including our ability to meet financial obligations and continue to comply with the terms and financial ratio covenants of our credit facilities.

Other potential risk factors include the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report") and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2024. In addition, there may be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us apply only as of the date of this Report and are expressly qualified in their entirety by the cautionary statements included in this Report. Except as may be required by law, we undertake no obligation to publicly update or revise any of the forward-looking statements, whether as a result of new information, future events, or otherwise.

When used in this Report, except as specifically noted otherwise, the term "Tempur Sealy International" refers to Tempur Sealy International, Inc. only, and the terms "Company," "we," "our," "ours" and "us" refer to Tempur Sealy International, Inc. and its consolidated subsidiaries. When used in this Report, the term "Tempur" may refer to Tempur-branded products and the term "Sealy" may refer to Sealy-branded products or to Sealy Corporation and its historical subsidiaries, in all cases as the context requires. In addition, when used in this Report, "2023 Credit Agreement" refers to the Company's senior credit facility entered into in 2023, and amended in February 2024; "2029 Senior Notes" refers to the 4.00% senior notes due 2029 issued in 2021; and "2031 Senior Notes" refers to the 3.875% senior notes due 2031 issued in 2021.

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**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
*(\$ in millions, except per common share amounts)*
*(unaudited)*

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net sales	\$ 1,300.0	\$ 1,277.1	\$ 3,723.0	\$ 3,754.9
Cost of sales	710.1	703.4	2,066.3	2,139.0
Gross profit	589.9	573.7	1,656.7	1,615.9
Selling and marketing expenses	272.0	272.9	813.2	799.8
General, administrative and other expenses	118.6	122.2	347.4	344.2
Equity income in earnings of unconsolidated affiliates	(2.5)	(4.6)	(10.5)	(13.4)
Operating income	201.8	183.2	506.6	485.3
Other expense, net:				
Interest expense, net	30.8	32.6	98.5	99.0
Other expense (income), net	0.4	(0.1)	(0.5)	(0.2)
Total other expense, net	31.2	32.5	98.0	98.8
Income before income taxes	170.6	150.7	408.6	386.5
Income tax provision	(40.8)	(36.8)	(95.5)	(93.5)
Net income before non-controlling interest	129.8	113.9	313.1	293.0
Less: Net (loss) income attributable to non-controlling interest	(0.2)	0.6	0.7	2.0
Net income attributable to Tempur Sealy International, Inc.	\$ 130.0	\$ 113.3	\$ 312.4	\$ 291.0
Earnings per common share:				
Basic	\$ 0.75	\$ 0.66	\$ 1.80	\$ 1.69
Diluted	\$ 0.73	\$ 0.64	\$ 1.75	\$ 1.64
Weighted average common shares outstanding:				
Basic	173.7	172.2	173.6	172.1
Diluted	178.2	177.6	178.1	177.0

See accompanying Notes to Condensed Consolidated Financial Statements.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(\$ in millions)*  
*(unaudited)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net income before non-controlling interest	\$ 129.8	\$ 113.9	\$ 313.1	\$ 293.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	37.0	(31.5)	14.0	0.6
Pension benefits loss	—	—	(0.3)	—
Other comprehensive income (loss), net of tax	37.0	(31.5)	13.7	0.6
Comprehensive income	166.8	82.4	326.8	293.6
Less: Comprehensive (loss) income attributable to non-controlling interest	(0.2)	0.6	0.7	2.0
Comprehensive income attributable to Tempur Sealy International, Inc.	<u>\$ 167.0</u>	<u>\$ 81.8</u>	<u>\$ 326.1</u>	<u>\$ 291.6</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(\$ in millions)

ASSETS	September 30, 2024 <i>(unaudited)</i>	December 31, 2023
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 104.2	\$ 74.9
Accounts receivable, net	467.6	431.4
Inventories	496.2	483.1
Prepaid expenses and other current assets	87.3	113.8
<b>Total Current Assets</b>	<b>1,155.3</b>	<b>1,103.2</b>
Property, plant and equipment, net	843.8	878.3
Goodwill	1,097.3	1,083.3
Other intangible assets, net	714.6	714.8
Operating lease right-of-use assets	617.6	636.5
Deferred income taxes	14.2	15.6
Other non-current assets	125.2	122.2
<b>Total Assets</b>	<b>\$ 4,568.0</b>	<b>\$ 4,553.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 346.8	\$ 311.3
Accrued expenses and other current liabilities	466.8	427.1
Short-term operating lease obligations	129.9	119.6
Current portion of long-term debt	46.4	44.9
Income taxes payable	21.9	5.3
<b>Total Current Liabilities</b>	<b>1,011.8</b>	<b>908.2</b>
Long-term debt, net	2,227.1	2,527.0
Long-term operating lease obligations	548.7	574.8
Deferred income taxes	128.9	127.9
Other non-current liabilities	78.3	82.6
<b>Total Liabilities</b>	<b>3,994.8</b>	<b>4,220.5</b>
Redeemable non-controlling interest	8.7	10.0
<b>Total Stockholders' Equity</b>	<b>564.5</b>	<b>323.4</b>
<b>Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>	<b>\$ 4,568.0</b>	<b>\$ 4,553.9</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(\$ in millions)*  
*(unaudited)*

**Three Months Ended September 30, 2024**

	Redeemable Non-controlling Interest	Tempur Sealy International, Inc. Stockholders' Equity							
		Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares Issued	At Par	Shares Issued	At Cost				
Balance as of June 30, 2024	\$ 8.9	283.8	\$ 2.8	110.2	\$ (3,331.0)	\$ 484.3	\$ 3,415.7	\$ (160.0)	\$ 411.8
Net income							130.0		130.0
Net income attributable to non-controlling interest	(0.2)								—
Foreign currency adjustments, net of tax								37.0	37.0
Dividends declared on common stock (\$0.13 per share)							(22.9)		(22.9)
Exercise of stock options				—	0.1	(0.1)			—
Issuances of PRSUs and RSUs				—	0.1	(0.1)			—
Treasury stock repurchased - PRSU/RSU releases				—	—				—
Amortization of unearned stock-based compensation						8.6			8.6
Balance as of September 30, 2024	\$ 8.7	283.8	\$ 2.8	110.2	\$ (3,330.8)	\$ 492.7	\$ 3,522.8	\$ (123.0)	\$ 564.5

**Three Months Ended September 30, 2023**

	Redeemable Non-controlling Interest	Tempur Sealy International, Inc. Stockholders' Equity							
		Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares Issued	At Par	Shares Issued	At Cost				
Balance as of June 30, 2023	\$ 9.4	283.8	\$ 2.8	111.6	\$ (3,384.1)	\$ 536.7	\$ 3,127.5	\$ (144.8)	\$ 138.1
Net income							113.3		113.3
Net income attributable to non-controlling interest	0.6								—
Dividend paid to non-controlling interest in subsidiary	(0.4)								—
Foreign currency adjustments, net of tax								(31.5)	(31.5)
Dividends declared on common stock (\$0.11 per share)							(19.4)		(19.4)
Exercise of stock options				(0.1)	3.1	(1.1)			2.0
Issuances of PRSUs and RSUs				—	0.2	(0.2)			—
Treasury stock repurchased - PRSU/RSU releases				—	(0.1)				(0.1)
Amortization of unearned stock-based compensation						11.7			11.7
Balance as of September 30, 2023	\$ 9.6	283.8	\$ 2.8	111.5	\$ (3,380.9)	\$ 547.1	\$ 3,221.4	\$ (176.3)	\$ 214.1

See accompanying Notes to Condensed Consolidated Financial Statements.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)**  
(\$ in millions)  
(unaudited)

**Nine Months Ended September 30, 2024**

	Redeemable Non- controlling Interest	Tempur Sealy International, Inc. Stockholders' Equity							
		Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares Issued	At Par	Shares Issued	At Cost				
Balance as of December 31, 2023	\$ 10.0	283.8	\$ 2.8	111.5	\$ (3,380.6)	\$ 558.7	\$ 3,279.2	\$ (136.7)	\$ 323.4
Net income							312.4		312.4
Net income attributable to non-controlling interests	0.7								—
Dividend paid to non-controlling interest in subsidiary	(2.0)								—
Adjustment to pension liability, net of tax								(0.3)	(0.3)
Foreign currency adjustments, net of tax								14.0	14.0
Dividends declared on common stock (\$0.39 per share)							(68.8)		(68.8)
Exercise of stock options				—	1.5	(1.2)			0.3
Issuances of PRSUs and RSUs				(2.2)	92.1	(92.1)			—
Treasury stock repurchased - PRSU/RSU releases				0.9	(43.8)				(43.8)
Amortization of unearned stock-based compensation						27.3			27.3
Balance as of September 30, 2024	\$ 8.7	283.8	\$ 2.8	110.2	\$ (3,330.8)	\$ 492.7	\$ 3,522.8	\$ (123.0)	\$ 564.5

**Nine Months Ended September 30, 2023**

	Redeemable Non- controlling Interest	Tempur Sealy International, Inc. Stockholders' (Deficit) Equity							
		Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
		Shares Issued	At Par	Shares Issued	At Cost				
Balance as of December 31, 2022	\$ 9.8	283.8	\$ 2.8	113.4	\$ (3,434.7)	\$ 598.2	\$ 2,988.5	\$ (176.9)	\$ (22.1)
Net income							291.0		291.0
Net income attributable to non-controlling interests	2.0								—
Dividend paid to non-controlling interest in subsidiary	(2.2)								—
Foreign currency adjustments, net of tax								0.6	0.6
Dividends declared on common stock (\$0.33 per share)							(58.1)		(58.1)
Exercise of stock options				(0.2)	4.6	(1.8)			2.8
Issuances of PRSUs and RSUs				(2.7)	85.2	(85.2)			—
Treasury stock repurchased				0.1	(5.0)				(5.0)
Treasury stock repurchased - PRSU/RSU releases				0.9	(31.0)				(31.0)
Amortization of unearned stock-based compensation						35.9			35.9
Balance as of September 30, 2023	\$ 9.6	283.8	\$ 2.8	111.5	\$ (3,380.9)	\$ 547.1	\$ 3,221.4	\$ (176.3)	\$ 214.1

See accompanying Notes to Condensed Consolidated Financial Statements.



**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in millions)  
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income before non-controlling interest	\$ 313.1	\$ 293.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	121.9	99.6
Amortization of stock-based compensation	27.3	35.9
Amortization of deferred financing costs	2.8	2.9
Bad debt expense	9.9	7.1
Deferred income taxes	0.6	0.5
Dividends received from unconsolidated affiliates	23.4	18.1
Equity income in earnings of unconsolidated affiliates	(10.5)	(13.4)
Foreign currency adjustments and other	0.9	(1.9)
Changes in operating assets and liabilities	48.0	37.4
Net cash provided by operating activities	537.4	479.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(76.4)	(153.3)
Other	0.5	0.5
Net cash used in investing activities	(75.9)	(152.8)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings under long-term debt obligations	1,165.3	1,491.5
Repayments of borrowings under long-term debt obligations	(1,472.6)	(1,689.9)
Proceeds from exercise of stock options	0.3	2.8
Treasury stock repurchased	(43.8)	(36.0)
Dividends paid	(70.1)	(58.8)
Repayments of finance lease obligations and other	(14.8)	(12.8)
Net cash used in financing activities	(435.7)	(303.2)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3.5	(1.0)
Increase in cash and cash equivalents	29.3	22.2
CASH AND CASH EQUIVALENTS, beginning of period	74.9	69.4
CASH AND CASH EQUIVALENTS, end of period	\$ 104.2	\$ 91.6
<b>Supplemental cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 89.8	\$ 92.2
Income taxes, net of refunds	\$ 80.1	\$ 84.4

See accompanying Notes to Condensed Consolidated Financial Statements.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited)**

**(1) Summary of Significant Accounting Policies**

(a) *Basis of Presentation and Description of Business.* Tempur Sealy International, Inc., a Delaware corporation, together with its subsidiaries, is a U.S. based, multinational company. The term "Tempur Sealy International" refers to Tempur Sealy International, Inc. only, and the term "Company" refers to Tempur Sealy International, Inc. and its consolidated subsidiaries.

The Company designs, manufactures and distributes bedding products, which include mattresses, foundations and adjustable bases, and other products, which include pillows and other accessories. The Company also derives income from royalties by licensing Sealy® and Stearns & Foster® brands, technology and trademarks to other manufacturers. The Company sells its products through two sales channels: Wholesale and Direct.

The Company has ownership interests in Asia-Pacific joint ventures to develop markets for Sealy® and Stearns & Foster® branded products and ownership in a United Kingdom joint venture to manufacture, market and distribute Sealy® and Stearns & Foster® branded products. The Company's ownership interests in each of these joint ventures is 50.0%. The equity method of accounting is used for these joint ventures, over which the Company has significant influence but does not have control, and consolidation is not otherwise required. The Company's equity in the net income and losses of these investments is reported in equity income in earnings of unconsolidated affiliates in the accompanying Condensed Consolidated Statements of Income.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States ("GAAP") for interim financial reporting. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes for the year ended December 31, 2023, included in the 2023 Annual Report filed with the Securities and Exchange Commission on February 16, 2024.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. It is the opinion of management that all necessary adjustments for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

(b) *Inventories.* Inventories are stated at the lower of cost or net realizable value, determined by the first-in, first-out method, and consist of the following:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Finished goods	\$ 347.4	\$ 335.4
Work-in-process	16.7	16.5
Raw materials and supplies	132.1	131.2
	<u>\$ 496.2</u>	<u>\$ 483.1</u>

(c) *Warranties.* The Company provides warranties on certain products, which vary by segment, product and brand. Estimates of warranty expenses are based primarily on historical claims experience and product testing. Estimated future obligations related to these products are charged to cost of sales in the period in which the related revenue is recognized. The Company considers the impact of recoverable salvage value on warranty costs in determining its estimate of future warranty obligations.

The Company provides warranties on mattresses with varying warranty terms. Tempur-Pedic mattresses sold in the North America segment and all Sealy mattresses have warranty terms ranging from 10 to 25 years, generally non-prorated for the first 10 to 15 years and then prorated for the balance of the warranty term. Tempur-Pedic mattresses sold in the International segment have warranty terms ranging from 5 to 15 years, non-prorated for the first 5 years and then prorated on a straight-line basis for the last 10 years of the warranty term. Tempur-Pedic pillows have a warranty term of 3 years, non-prorated.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The Company had the following activity for its accrued warranty expense from December 31, 2023 to September 30, 2024:

*(in millions)*

Balance as of December 31, 2023	\$	40.8
Amounts accrued		5.1
Warranties charged to accrual		(9.3)
Balance as of September 30, 2024	\$	<u>36.6</u>

As of September 30, 2024 and December 31, 2023, \$17.5 million and \$18.9 million of accrued warranty expense is included as a component of accrued expenses and other current liabilities and \$19.1 million and \$21.9 million of accrued warranty expense is included in other non-current liabilities on the Company's accompanying Condensed Consolidated Balance Sheets, respectively.

(d) *Allowance for Credit Losses.* The allowance for credit losses is the Company's best estimate of the amount of expected lifetime credit losses in the Company's accounts receivable. The Company regularly reviews the adequacy of its allowance for credit losses. The Company estimates losses over the contractual life using assumptions to capture the risk of loss, even if remote, based principally on how long a receivable has been outstanding. As of September 30, 2024, the Company's accounts receivable were substantially current. Account balances are charged off against the allowance for credit losses after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. Other factors considered include historical write-off experience, current economic conditions and also factors such as customer credit, past transaction history with the customer and changes in customer payment terms. The allowance for credit losses is included in accounts receivable, net in the accompanying Condensed Consolidated Balance Sheets.

The Company had the following activity for its allowance for credit losses from December 31, 2023 to September 30, 2024:

*(in millions)*

Balance as of December 31, 2023	\$	66.9
Amounts accrued		9.9
Write-offs charged against the allowance		(5.9)
Balance as of September 30, 2024	\$	<u>70.9</u>

(e) *Fair Value.* Financial instruments, although not recorded at fair value on a recurring basis, include cash and cash equivalents, accounts receivable, accounts payable and the Company's debt obligations. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of those instruments. Borrowings under the 2023 Credit Agreement (as defined in Note 4, "Debt") and the securitized debt are at variable interest rates and accordingly their carrying amounts approximate fair value. The fair value of the following material financial instruments were based on Level 2 inputs, which include observable inputs estimated using discounted cash flows and market-based expectations for interest rates, credit risk and the contractual terms of debt instruments. The fair values of these material financial instruments are as follows:

<i>(in millions)</i>	Fair Value	
	September 30, 2024	December 31, 2023
2029 Senior Notes	\$ 746.7	\$ 724.2
2031 Senior Notes	\$ 714.2	\$ 677.6

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

(f) *Definitive Agreement with Mattress Firm.* On May 9, 2023, Tempur Sealy International and Mattress Firm entered into a definitive agreement and plan of merger (the "Merger Agreement") for a proposed business acquisition in which Tempur Sealy International, through a wholly-owned subsidiary, will acquire Mattress Firm in a transaction valued at approximately \$4.0 billion. The transaction is expected to be funded by approximately \$2.7 billion of cash consideration and the issuance of 34.2 million shares of common stock resulting in a total stock consideration value of \$1.3 billion based on a closing share price of \$37.62 as of May 8, 2023.

On July 2, 2024, the FTC filed a complaint for a temporary restraining order and preliminary injunction in the United States District Court for the Southern District of Texas (the "Court") and an administrative complaint (together with the complaint filed with the Court, the "Actions") to challenge the proposed acquisition of Mattress Firm by the Company. On October 4, 2024, the Company filed a complaint in the Court seeking an injunction against the FTC's administrative proceeding. Refer to Note 8, "Commitments and Contingencies" for further details.

On September 23, 2024, the Company announced that it entered into a purchase agreement with MW SO Holdings Company, LLC ("Mattress Warehouse"), a leading independently owned bedding specialty retailer, for the sale of 73 Mattress Firm retail locations and the Company's Sleep Outfitters subsidiary, which includes 103 specialty mattress retail locations and seven distribution centers. Mattress Warehouse is a multi-branded retailer offering a full array of mattresses at various price points. The Company will continue to supply its Tempur-Pedic®, Stearns & Foster® and Sealy® products to the divested Mattress Firm and Sleep Outfitters stores. The divestiture is subject to the closing of the Company's acquisition of Mattress Firm and other customary closing conditions. It is expected to close approximately one quarter after the closing of the Mattress Firm transaction.

The Company continues to believe that a successful litigation process can be completed in the coming months, which would allow the transaction to close in late 2024 or early 2025. Following the close of the transaction, Mattress Firm is expected to operate as a separate business unit within the Company.

## (2) Net Sales

The following table presents the Company's disaggregated revenue by channel and geographical region, including a reconciliation of disaggregated revenue by segment, for the three months ended September 30, 2024 and 2023:

<i>(in millions)</i>	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	North America	International	Consolidated	North America	International	Consolidated
<b>Channel</b>						
Wholesale	\$ 878.4	\$ 103.4	\$ 981.8	\$ 885.1	\$ 89.5	\$ 974.6
Direct	136.9	181.3	318.2	138.6	163.9	302.5
Net sales	\$ 1,015.3	\$ 284.7	\$ 1,300.0	\$ 1,023.7	\$ 253.4	\$ 1,277.1
<b>Geographical region</b>						
United States	\$ 935.3	\$ —	\$ 935.3	\$ 939.1	\$ —	\$ 939.1
All Other	80.0	284.7	364.7	84.6	253.4	338.0
Net sales	\$ 1,015.3	\$ 284.7	\$ 1,300.0	\$ 1,023.7	\$ 253.4	\$ 1,277.1

Substantially all revenue is associated with bedding product sales.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The following table presents the Company's disaggregated revenue by channel and geographical region, including a reconciliation of disaggregated revenue by segment, for the nine months ended September 30, 2024 and 2023:

<i>(in millions)</i>	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	North America	International	Consolidated	North America	International	Consolidated
<b>Channel</b>						
Wholesale	\$ 2,510.1	\$ 308.0	\$ 2,818.1	\$ 2,585.4	\$ 291.0	\$ 2,876.4
Direct	384.7	520.2	904.9	374.7	503.8	878.5
Net sales	\$ 2,894.8	\$ 828.2	\$ 3,723.0	\$ 2,960.1	\$ 794.8	\$ 3,754.9
<b>Geographical region</b>						
United States	\$ 2,671.7	\$ —	\$ 2,671.7	\$ 2,740.2	\$ —	\$ 2,740.2
All Other	223.1	828.2	1,051.3	219.9	794.8	1,014.7
Net sales	\$ 2,894.8	\$ 828.2	\$ 3,723.0	\$ 2,960.1	\$ 794.8	\$ 3,754.9

Substantially all revenue is associated with bedding product sales.

### (3) Goodwill

The following summarizes changes to the Company's goodwill, by segment:

<i>(in millions)</i>	North America	International	Consolidated
Balance as of December 31, 2023	\$ 609.7	\$ 473.6	\$ 1,083.3
Foreign currency translation and other	(2.4)	16.4	14.0
Balance as of September 30, 2024	\$ 607.3	\$ 490.0	\$ 1,097.3

### (4) Debt

Debt for the Company consists of the following:

<i>(in millions, except percentages)</i>	September 30, 2024		December 31, 2023		Maturity Date
	Amount	Rate	Amount	Rate	
<b>2023 Credit Agreement:</b>					
Term A Facility	\$ 481.3	(1)	\$ 500.0	(2)	October 10, 2028
Revolver	—	(1)	183.0	(2)	October 10, 2028
2031 Senior Notes	800.0	3.875%	800.0	3.875%	October 15, 2031
2029 Senior Notes	800.0	4.000%	800.0	4.000%	April 15, 2029
Securitized debt	28.8	(3)	157.6	(3)	October 8, 2026
Finance lease obligations <sup>(4)</sup>	93.5		92.1		Various
Other	84.2		60.9		Various
Total debt	2,287.8		2,593.6		
Less: Deferred financing costs	14.3		21.7		
Total debt, net	2,273.5		2,571.9		
Less: Current portion	46.4		44.9		
Total long-term debt, net	\$ 2,227.1		\$ 2,527.0		

- (1) Interest at SOFR index plus 10 basis points of credit spread adjustment, plus applicable margin of 1.250%.
- (2) Interest at SOFR index plus 10 basis points of credit spread adjustment, plus applicable margin of 1.625% as of December 31, 2023.
- (3) Interest at one month SOFR index plus 10 basis points of credit spread adjustment, plus 85 basis points.
- (4) New finance lease obligations are a non-cash financing activity.

As of September 30, 2024, the Company was in compliance with all applicable debt covenants.

#### 2023 Credit Agreement

On October 10, 2023, the Company entered into the 2023 Credit Agreement with a syndicate of banks. The 2023 Credit Agreement provides for a \$1.15 billion revolving credit facility, a \$500.0 million term loan facility, and an incremental facility in an aggregate amount of up to the greater of \$850.0 million and additional amounts subject to the conditions set forth in the 2023 Credit Agreement, plus the amount of certain prepayments, plus an additional unlimited amount subject to compliance with a maximum consolidated secured leverage ratio test. The 2023 Credit Agreement has a \$60.0 million sub-facility for the issuance of letters of credit.

On February 6, 2024, the Company and certain other parties thereto entered into an amendment to the 2023 Credit Agreement which provides for a \$625.0 million delayed draw term A loan and a \$40.0 million increase in availability on the existing revolving loan. Once drawn, the instruments will have the same terms and conditions as the Company's existing term loans and revolving loans, respectively, under the 2023 Credit Agreement. This amendment was executed in connection with the Company's financing strategy for the pending acquisition of Mattress Firm.

On October 24, 2024, the Company and certain other parties thereto entered into an Amendment No. 2 ("Amendment No. 2") and an Amendment No. 3 ("Amendment No. 3" and together with Amendment No. 2, the "Amendments") to the Company's 2023 Credit Agreement dated as of October 10, 2023, as amended. Amendment No. 2 extends the termination date for \$605.0 million of the Company's existing delayed draw term A loan commitments

until October 24, 2025. Amendment No. 3 provides for an incremental term B loan in the aggregate principal amount of \$1.6 billion (the "Term B Loan"). The proceeds of the Term B Loan were funded into escrow on the closing of Amendment No. 3 and will mature on October 24, 2031. The proceeds of the Term B Loan will be used to pay fees and expenses in connection with Amendment No. 3 and may be released upon the closing of the previously disclosed Mattress Firm acquisition. If the closing of the Mattress Firm acquisition does not occur prior to the first anniversary of the funding date, the Company will be required to repay the Term B Loan.

The Term B Loan will bear interest at either (i) a base rate plus an applicable margin of 1.50%, (ii) a "Term Benchmark" rate (a Term SOFR rate as defined in the 2023 Credit Agreement) plus an applicable margin of 2.50% or (iii) an "RFR Loan" rate (a Daily Simple SOFR rate as defined in the 2023 Credit Agreement) plus an applicable margin of 2.50%. The Term B Loan will have similar terms and conditions as the Company's existing term loans under the 2023 Credit Agreement, except that the Term B Loan will not have financial maintenance covenants but will benefit from (i) mandatory prepayments with respect to certain cash that constitutes excess cash flow under the 2023 Credit Agreement and (ii) additional protections, including a prepayment premium in connection with certain repricing transactions that occur on or prior to the six-month anniversary of the funding date.

Certain of the Company's present and future domestic subsidiaries guarantee the obligations under the Term B Loan. The obligations under the Term B Loan are secured by a pledge of (i) solely for the benefit of the Term B Lenders, the escrow account, the proceeds of the Term B Loan funded into the escrow account and all interest or other income thereof and (ii) substantially all of the assets of the Company, the Additional Borrower and the subsidiary guarantors, subject to certain exceptions and exclusions.

The Company had no outstanding borrowings under the revolving credit facility as of September 30, 2024. Total availability under the revolving facility was \$1,189.2 million, after a \$0.8 million reduction for outstanding letters of credit, as of September 30, 2024.

#### *Securitized Debt*

The Company and certain of its subsidiaries are party to a securitization transaction with respect to certain accounts receivable due to the Company and certain of its subsidiaries (as amended, the "Accounts Receivable Securitization"). As of September 30, 2024, total availability under the Accounts Receivable Securitization was \$144.2 million. On October 8, 2024, the Company and certain of its subsidiaries entered into a new amendment to the Accounts Receivable Securitization. The amendment, among other things, extended the maturity date of the Accounts Receivable Securitization to October 8, 2026. While subject to a \$200.0 million overall limit, the availability of revolving loans varies over the course of the year based on the seasonality of the Company's accounts receivable.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

**(5) Stockholders' Equity**

(a) *Treasury Stock*. As of September 30, 2024, the Company had approximately \$774.5 million remaining under its share repurchase authorization. The Company did not repurchase shares under the program during the three and nine months ended September 30, 2024. The Company did not repurchase shares under the program during the three months ended September 30, 2023. The Company repurchased 0.1 million shares under the program for approximately \$5.0 million during the nine months ended September 30, 2023.

In addition, the Company acquired shares upon the vesting of certain restricted stock units ("RSUs") and performance restricted stock units ("PRSUs"), which were withheld to satisfy tax withholding obligations during each of the three and nine months ended September 30, 2024 and 2023, respectively. The shares withheld were valued at the closing price of the stock on the New York Stock Exchange on the vesting date or first business day prior to vesting, resulting in an immaterial amount of treasury stock acquired during the three months ended September 30, 2024 and \$0.1 million of treasury stock acquired during the three months ended September 30, 2023. The Company acquired approximately \$43.8 million and \$31.0 million in treasury stock during the nine months ended September 30, 2024 and 2023, respectively.

(b) *Accumulated Other Comprehensive Loss ("AOCL")*. AOCL consisted of the following:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Foreign Currency Translation</b>				
Balance at beginning of period	\$ (158.5)	\$ (143.2)	\$ (135.5)	\$ (175.3)
Other comprehensive income (loss):				
Foreign currency translation adjustments <sup>(1)</sup>	37.0	(31.5)	14.0	0.6
Balance at end of period	\$ (121.5)	\$ (174.7)	\$ (121.5)	\$ (174.7)
<b>Pensions</b>				
Balance at beginning of period	\$ (1.5)	\$ (1.6)	\$ (1.2)	\$ (1.6)
Other comprehensive loss:				
Net change from period revaluations <sup>(2)</sup>	—	—	(0.3)	—
Balance at end of period	\$ (1.5)	\$ (1.6)	\$ (1.5)	\$ (1.6)

(1) In 2024 and 2023, there were no tax impacts related to foreign currency translation adjustments and no amounts were reclassified to earnings.

(2) In 2024, there were no tax impacts related to pension adjustments.

**(6) Other Items**

*Accrued expenses and other current liabilities*

Accrued expenses and other current liabilities consisted of the following:

<i>(in millions)</i>	September 30, 2024	December 31, 2023
Wages and benefits	\$ 92.7	\$ 102.1
Unearned revenue	72.1	53.3
Advertising	65.1	62.6
Taxes	23.1	15.4
Other	213.8	193.7
	\$ 466.8	\$ 427.1

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

**(7) Stock-Based Compensation**

The Company's stock-based compensation expense for the three and nine months ended September 30, 2024 and 2023 included PRSUs, RSUs and non-qualified stock options. A summary of the Company's stock-based compensation expense is presented in the following table:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
PRSU expense	\$ 3.6	\$ 5.9	\$ 12.2	\$ 18.8
RSU expense	4.4	5.3	13.4	15.5
Option expense	0.6	0.5	1.7	1.6
Total stock-based compensation expense	\$ 8.6	\$ 11.7	\$ 27.3	\$ 35.9

The Company grants PRSUs to executive officers and certain members of management. Actual payout under the PRSUs is dependent upon the achievement of certain financial goals. During the first quarter of 2024, the Company granted PRSUs as a component of the long-term incentive plan ("2024 PRSUs"). The Company has recorded stock-based compensation expense related to the 2024 PRSUs during the three and nine months ended September 30, 2024, as it was probable that the Company would achieve the specified performance targets for the performance period.

**(8) Commitments and Contingencies**

The Company is involved in various legal and administrative proceedings incidental to the operations of its business. Except as disclosed, the Company believes that the outcome of all such pending proceedings in the aggregate will not have a material adverse effect on its business, financial condition, liquidity or operating results. Some of these proceedings involve complex claims that are subject to substantial uncertainties and unascertainable potential losses. Accordingly, the Company has not established material reserves or ranges of possible loss related to these proceedings, as at this time in the proceedings, the matters do not relate to a probable loss and/or the amount or range of losses are not reasonably estimable. Although the Company believes that it has strong defenses for the litigation and regulatory proceedings described below, it could, in the future, enter into settlements of claims that could have a material adverse effect on the Company's financial position, results of operations or cash flows.

*Mattress Firm Pending Acquisition*

On July 2, 2024, the FTC filed the Actions alleging that, if consummated, the pending acquisition of Mattress Firm may substantially lessen competition and would be an unfair method of competition. If the administrative court or the Court rule in favor of the FTC, the completion of the acquisition of Mattress Firm may be delayed for a significant period of time (including beyond the termination date of February 9, 2025) or prevented from occurring. On July 16, 2024 the Court entered a temporary restraining order enjoining the completion of the merger until the Court rules on the FTC's motion for a preliminary injunction. In each of the Company's and Mattress Firm's respective answers to the Actions, the Company and Mattress Firm each denied the FTC's substantive allegations; asserted numerous defenses; described the pro-competitive aspects and significant consumer benefits relating to the merger; and denied that the combination of their respective businesses would violate any law. On October 4, 2024, the Company filed a complaint in the Court seeking an injunction against the FTC's administrative proceeding.

**(9) Income Taxes**

The Company's effective tax rates for the three months ended September 30, 2024 and 2023 were 23.9% and 24.4%, respectively. The Company's effective tax rates for the nine months ended September 30, 2024 and 2023 were 23.4% and 24.3%, respectively. The Company's effective tax rates for the three and nine months ended September 30, 2024 and 2023 differed from the U.S. federal statutory rate of 21.0% principally due to subpart F income (i.e., global intangible low-taxed income, or "GILTI," earned by the Company's foreign subsidiaries), foreign income tax rate differentials, state and local taxes, changes in the Company's uncertain tax positions, the excess tax benefit related to stock-based compensation and certain other permanent items.



**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The OECD (Organization for Economic Co-operation and Development) has proposed a global minimum effective tax of 15.0% on income arising in each jurisdiction ("Pillar 2") that has been agreed upon in principle by over 140 countries. During 2023, many countries took steps to incorporate Pillar 2 model rule concepts into their domestic laws. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar 2 slightly differently than the model rules and on different timelines and may adjust domestic tax incentives in response to Pillar 2. Accordingly, the Company is evaluating the potential consequences of Pillar 2 on its longer-term financial position. In 2024, the Company does not expect Pillar 2 to have a material impact on its financial results.

**(10) Earnings Per Common Share**

The following table sets forth the components of the numerator and denominator for the computation of basic and diluted earnings per share for net income attributable to Tempur Sealy International:

<i>(in millions, except per common share amounts)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Numerator:</b>				
Net income attributable to Tempur Sealy International, Inc.	\$ 130.0	\$ 113.3	\$ 312.4	\$ 291.0
<b>Denominator:</b>				
Denominator for basic earnings per common share-weighted average shares	173.7	172.2	173.6	172.1
Effect of dilutive securities	4.5	5.4	4.5	4.9
Denominator for diluted earnings per common share-adjusted weighted average shares	178.2	177.6	178.1	177.0
<b>Basic earnings per common share</b>	<b>\$ 0.75</b>	<b>\$ 0.66</b>	<b>\$ 1.80</b>	<b>\$ 1.69</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.73</b>	<b>\$ 0.64</b>	<b>\$ 1.75</b>	<b>\$ 1.64</b>

The Company excludes shares issuable upon exercise of outstanding stock options from the diluted earnings per common share computation because their exercise price was greater than the average market price of Tempur Sealy International's common stock or they were otherwise anti-dilutive.

As a result, the Company did not exclude any shares for the three months ended September 30, 2024 and September 30, 2023. The Company excluded an immaterial amount of shares for the nine months ended September 30, 2024, and 0.2 million shares for the nine months ended September 30, 2023. Holders of non-vested stock-based compensation awards do not have voting rights but do participate in dividend equivalents distributed upon the award vesting.

**(11) Business Segment Information**

The Company operates in two segments: North America and International. These segments are strategic business units that are managed separately based on geography. The North America segment consists of manufacturing and distribution subsidiaries and licensees located in the U.S., Canada and Mexico. The International segment consists of manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America (other than Mexico). The Company evaluates segment performance based on net sales, gross profit and operating income.

The Company's North America and International segment assets include investments in subsidiaries that are appropriately eliminated in the Company's accompanying Condensed Consolidated Financial Statements. The remaining inter-segment eliminations are comprised of intercompany accounts receivable and payable.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The following table summarizes total assets by segment:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
North America	\$ 5,619.6	\$ 5,291.0
International	1,535.7	1,405.2
Corporate	1,727.3	1,269.5
Inter-segment eliminations	(4,314.6)	(3,411.8)
Total assets	<u>\$ 4,568.0</u>	<u>\$ 4,553.9</u>

The following table summarizes property, plant and equipment, net, by segment:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
North America	\$ 712.3	\$ 753.8
International	95.9	91.3
Corporate	35.6	33.2
Total property, plant and equipment, net	<u>\$ 843.8</u>	<u>\$ 878.3</u>

The following table summarizes operating lease right-of-use assets by segment:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
North America	\$ 422.1	\$ 453.5
International	192.1	180.2
Corporate	3.4	2.8
Total operating lease right-of-use assets	<u>\$ 617.6</u>	<u>\$ 636.5</u>

The following table summarizes segment information for the three months ended September 30, 2024:

<i>(in millions)</i>	<b>North America</b>	<b>International</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 1,015.3	\$ 284.7	\$ —	\$ —	\$ 1,300.0
Inter-segment sales	\$ —	\$ (0.1)	\$ —	\$ 0.1	\$ —
Inter-segment royalty expense (income)	9.3	(9.3)	—	—	—
Gross profit	426.7	163.2	—	—	589.9
Operating income (loss)	193.3	51.7	(43.2)	—	201.8
Income (loss) before income taxes	190.7	54.5	(74.6)	—	170.6
Depreciation and amortization <sup>(1)</sup>	\$ 32.3	\$ 7.3	\$ 11.2	\$ —	\$ 50.8
Capital expenditures	9.7	6.2	0.5	—	16.4

(1) Depreciation and amortization includes stock-based compensation amortization expense.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The following table summarizes segment information for the three months ended September 30, 2023:

<i>(in millions)</i>	<b>North America</b>	<b>International</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 1,023.7	\$ 253.4	\$ —	\$ —	\$ 1,277.1
Inter-segment sales	\$ 0.2	\$ 0.1	\$ —	\$ (0.3)	\$ —
Inter-segment royalty expense (income)	9.5	(9.5)	—	—	—
Gross profit	430.4	143.3	—	—	573.7
Operating income (loss)	195.5	40.0	(52.3)	—	183.2
Income (loss) before income taxes	192.5	41.2	(83.0)	—	150.7
Depreciation and amortization <sup>(1)</sup>	\$ 25.1	\$ 6.3	\$ 13.5	\$ —	\$ 44.9
Capital expenditures	28.8	7.7	4.1	—	40.6

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes segment information for the nine months ended September 30, 2024:

<i>(in millions)</i>	<b>North America</b>	<b>International</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 2,894.8	\$ 828.2	\$ —	\$ —	\$ 3,723.0
Inter-segment sales	\$ 0.5	\$ 0.1	\$ —	\$ (0.6)	\$ —
Inter-segment royalty expense (income)	26.0	(26.0)	—	—	—
Gross profit	1,189.3	467.4	—	—	1,656.7
Operating income (loss)	508.1	128.3	(129.8)	—	506.6
Income (loss) before income taxes	499.3	137.5	(228.2)	—	408.6
Depreciation and amortization <sup>(1)</sup>	\$ 94.5	\$ 20.6	\$ 34.1	\$ —	\$ 149.2
Capital expenditures	46.5	21.3	8.6	—	76.4

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes segment information for the nine months ended September 30, 2023:

<i>(in millions)</i>	<b>North America</b>	<b>International</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 2,960.1	\$ 794.8	\$ —	\$ —	\$ 3,754.9
Inter-segment sales	\$ 0.8	\$ 0.5	\$ —	\$ (1.3)	\$ —
Inter-segment royalty expense (income)	26.2	(26.2)	—	—	—
Gross profit	1,177.8	438.1	—	—	1,615.9
Operating income (loss)	505.6	118.1	(138.4)	—	485.3
Income (loss) from continuing operations before income taxes	499.1	116.9	(229.5)	—	386.5
Depreciation and amortization <sup>(1)</sup>	\$ 74.9	\$ 19.2	\$ 41.4	\$ —	\$ 135.5
Capital expenditures	126.9	19.2	7.2	—	153.3

(1) Depreciation and amortization includes stock-based compensation amortization expense.

**TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (unaudited) (continued)**

The following table summarizes property, plant and equipment, net by geographic region:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
United States	\$ 729.1	\$ 764.1
All other	114.7	114.2
Total property, plant and equipment, net	<u>\$ 843.8</u>	<u>\$ 878.3</u>

The following table summarizes operating lease right-of-use assets by geographic region:

<i>(in millions)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
United States	\$ 415.0	\$ 444.2
United Kingdom	151.7	146.5
All other	50.9	45.8
Total operating lease right-of-use assets	<u>\$ 617.6</u>	<u>\$ 636.5</u>

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the 2023 Annual Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in ITEM 7 of Part II of the 2023 Annual Report, and the accompanying Condensed Consolidated Financial Statements and notes thereto included in this Report. Unless otherwise noted, all of the financial information in this Report is consolidated financial information for the Company. The forward-looking statements in this discussion regarding the mattress and pillow industries, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are subject to numerous risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" elsewhere in this Report and in the 2023 Annual Report, the section titled "Risk Factors" contained in ITEM 1A of Part I of the 2023 Annual Report and in the Quarterly Report on Form 10-Q in the section titled "Risk Factors" contained in ITEM 1A of Part II for the quarter ended June 30, 2024. Our actual results may differ materially from those contained in any forward-looking statements.*

In this discussion and analysis, we discuss and explain the consolidated financial condition and results of operations for the three and nine months ended September 30, 2024, including the following topics:

- an overview of our business and strategy;
- results of operations, including our net sales and costs in the periods presented as well as changes between periods;
- expected sources of liquidity for future operations; and
- our use of certain non-GAAP financial measures.

### Business Overview

#### General

We are committed to improving the sleep of more people, every night, all around the world. As a leading designer, manufacturer, distributor and retailer of bedding products, we know how crucial a good night of sleep is to overall health and wellness. Utilizing over a century of knowledge and industry-leading innovation, we deliver award-winning products that provide breakthrough sleep solutions to consumers in over 100 countries.

We operate in two segments: North America and International. These segments are strategic business units that are managed separately based on geography. Our North America segment consists of manufacturing and distribution subsidiaries and licensees located in the U.S., Canada and Mexico. Our International segment consists of manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America (other than Mexico). Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. We evaluate segment performance based on net sales, gross profit and operating income. For additional information refer to Note 11, "Business Segment Information," included in Part I, ITEM 1 of this Report.

Our highly recognized brands include Tempur-Pedic®, Sealy® and Stearns & Foster® and our non-branded offerings consist of value-focused private label and OEM products. Our products allow for complementary merchandising strategies and are sold through third-party retailers, our more than 750 company-owned and joint venture operated retail stores worldwide and our e-commerce channel.

Our distribution model operates through an omni-channel strategy. We distribute through two channels in each operating business segment: Wholesale and Direct. Our Wholesale channel consists of third-party retailers, including third-party distribution, hospitality and healthcare. Our Direct channel includes company-owned stores, online and call centers.

#### General Business and Economic Conditions

We believe the bedding industry is structured for sustained growth over the long term, driven by product innovation, sleep technology advancements, consumer confidence, housing formations and population growth. The industry is no longer engaged in uneconomical retail store expansion, startups have shifted from uneconomical strategies to becoming profitable and legacy retailers and manufacturers have become skilled in producing profitable online sales.

Over the last decade, consumers have made the connection between a good night's sleep and overall health and wellness. As consumers make this connection, they are willing to invest more in their bedding purchases, which positions us well for long-term growth.

In the remainder of 2024, we expect a continuation of the current macroeconomic environment, which includes the impact of inflation and interest rate pressures on the consumer. These macroeconomic pressures on the consumer continue to challenge the global bedding industry. Ongoing geopolitical conflicts may also introduce further uncertainty for the consumer. We expect to outperform the bedding industry, amid these macroeconomic headwinds, as a result of our successful new product launches and recent distribution gains in the U.S.

#### *Definitive Agreement with Mattress Firm.*

On May 9, 2023, Tempur Sealy International and Mattress Firm entered into a definitive agreement and plan of merger (the "Merger Agreement") for a pending business acquisition in which Tempur Sealy International, through a wholly-owned subsidiary, will acquire Mattress Firm in a transaction valued at approximately \$4.0 billion. The transaction is expected to be funded by approximately \$2.7 billion of cash consideration and the issuance of 34.2 million shares of common stock, resulting in a total stock consideration value of \$1.3 billion based on a closing share price of \$37.62 as of May 8, 2023.

On July 2, 2024, the FTC filed a complaint for temporary restraining order and preliminary injunction in the United States District Court for the Southern District of Texas (the "Court") and an administrative complaint (together with the complaint filed with the Court, the "Actions") to challenge our proposed acquisition of Mattress Firm. On October 4, 2024, the Company filed a complaint in the Court seeking an injunction against the FTC's administrative proceeding. Refer to Note 8, "Commitments and Contingencies" in the "Notes to Condensed Consolidated Financial Statements," under Part I, ITEM 1 of this Report for further details.

On September 23, 2024, we announced that we entered into a purchase agreement with MW SO Holdings Company, LLC ("Mattress Warehouse"), a leading independently owned bedding specialty retailer, for the sale of 73 Mattress Firm retail locations and our Sleep Outfitters subsidiary, which includes 103 specialty mattress retail locations and seven distribution centers. Mattress Warehouse is a multi-branded retailer offering a full array of mattresses at various price points. We will continue to supply our Tempur-Pedic®, Stearns & Foster® and Sealy® products to the divested Mattress Firm and Sleep Outfitters stores. The divestiture is subject to the closing of our acquisition of Mattress Firm and other customary closing conditions. It is expected to close approximately one quarter after the closing of the Mattress Firm transaction.

We continue to believe that a successful litigation process can be completed in the coming months, which would allow the transaction to close in late 2024 or early 2025. Following the close of the transaction, Mattress Firm is expected to operate as a separate business unit.

#### *Product Launches*

In 2024, we completed the launch of a new portfolio of Tempur-Pedic® Adapt mattresses in our North America segment. This next-generation technology sets the standard for support, pressure relief and motion cancellation with Tempur material precisely responding to your body's weight, shape and temperature in a way no other mattress does. This collection was designed to complement the Tempur-Pedic® Breeze collection and Tempur-Ergo® Smart Bases launched in 2023 and finishes the complete reset of our core Tempur lineup.

In our International segment in 2024, we completed the rollout of the new line of Tempur® products in over 90 markets through our wholly-owned subsidiaries and third-party distributors. This new line of products will broaden Tempur®'s price range with the super-premium price point ceiling maintained and the floor expanded into the premium category to broaden our global addressable market.

In 2025, we will launch an all-new collection of Sealy Posturepedic products. This is a significant re-imagining of the Posturepedic collection and will feature new proprietary coil technology, a new aesthetic and an updated merchandising strategy.

## Results of Operations

A summary of our results for the three months ended September 30, 2024 include:

- Total net sales increased 1.8% to \$1,300.0 million as compared to \$1,277.1 million in the third quarter of 2023, with a decrease of 0.8% in the North America business segment and an increase of 12.4% in the International business segment. On a constant currency basis, which is a non-GAAP financial measure, total net sales increased 1.7%, with a decrease of 0.4% in the North America business segment and an increase of 10.5% in the International business segment.
- Gross margin was 45.4% as compared to 44.9% in the third quarter of 2023. Adjusted gross margin, which is a non-GAAP financial measure, was 46.2% as compared to 45.9% in the third quarter of 2023.
- Operating income increased 10.2% to \$201.8 million as compared to \$183.2 million in the third quarter of 2023. Adjusted operating income, which is a non-GAAP financial measure, increased 4.2% to \$223.7 million as compared to \$214.7 million in the third quarter of 2023.
- Net income increased 14.7% to \$130.0 million as compared to \$113.3 million in the third quarter of 2023. Adjusted net income, which is a non-GAAP financial measure, increased 7.1% to \$146.5 million as compared to \$136.8 million in the third quarter of 2023.
- Earnings per diluted share ("EPS") increased 14.1% to \$0.73 as compared to \$0.64 in the third quarter of 2023. Adjusted EPS, which is a non-GAAP financial measure, increased 6.5% to \$0.82 as compared to \$0.77 in the third quarter of 2023.

For a discussion and reconciliation of non-GAAP financial measures as discussed above to the corresponding GAAP financial results, refer to the non-GAAP financial information set forth below under the heading "Non-GAAP Financial Information."

We may refer to net sales, earnings or other historical financial information on a "constant currency basis," which is a non-GAAP financial measure. These references to constant currency basis do not include operational impacts that could result from fluctuations in foreign currency rates. To provide information on a constant currency basis, the applicable financial results are adjusted based on a simple mathematical model that translates current period results in local currency using the comparable prior corresponding period's currency conversion rate. This approach is used for countries where the functional currency is the local country currency. This information is provided so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby facilitating period-to-period comparisons of business performance. Constant currency information is not recognized under GAAP, and it is not intended as an alternative to GAAP measures. Refer to Part I, ITEM 3 of this Report for a discussion of our foreign currency exchange rate risk.

**THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO THE  
THREE MONTHS ENDED SEPTEMBER 30, 2023**

The following table sets forth the various components of our Condensed Consolidated Statements of Income and expresses each component as a percentage of net sales:

<i>(in millions, except percentages and per share amounts)</i>	<b>Three Months Ended September 30,</b>			
	<b>2024</b>		<b>2023</b>	
Net sales	\$ 1,300.0	100.0 %	\$ 1,277.1	100.0 %
Cost of sales	710.1	54.6	703.4	55.1
Gross profit	589.9	45.4	573.7	44.9
Selling and marketing expenses	272.0	20.9	272.9	21.4
General, administrative and other expenses	118.6	9.1	122.2	9.6
Equity income in earnings of unconsolidated affiliates	(2.5)	(0.2)	(4.6)	(0.4)
Operating income	201.8	15.5	183.2	14.3
<b>Other expense, net:</b>				
Interest expense, net	30.8	2.4	32.6	2.6
Other expense (income), net	0.4	—	(0.1)	—
Total other expense, net	31.2	2.4	32.5	2.5
Income before income taxes	170.6	13.1	150.7	11.8
Income tax provision	(40.8)	(3.1)	(36.8)	(2.9)
Net income before non-controlling interest	129.8	10.0	113.9	8.9
Less: Net (loss) income attributable to non-controlling interest	(0.2)	—	0.6	—
Net income attributable to Tempur Sealy International, Inc.	\$ 130.0	10.0 %	\$ 113.3	8.9 %
<b>Earnings per common share:</b>				
Basic	\$ 0.75		\$ 0.66	
Diluted	\$ 0.73		\$ 0.64	
<b>Weighted average common shares outstanding:</b>				
Basic	173.7		172.2	
Diluted	178.2		177.6	



## NET SALES

<i>(in millions)</i>	Three Months Ended September 30,					
	2024		2023		2023	
	Consolidated		North America		International	
<i>Net sales by channel</i>						
Wholesale	\$ 981.8	\$ 974.6	\$ 878.4	\$ 885.1	\$ 103.4	\$ 89.5
Direct	318.2	302.5	136.9	138.6	181.3	163.9
Total net sales	<u>\$ 1,300.0</u>	<u>\$ 1,277.1</u>	<u>\$ 1,015.3</u>	<u>\$ 1,023.7</u>	<u>\$ 284.7</u>	<u>\$ 253.4</u>

Net sales increased 1.8%, and on a constant currency basis increased 1.7%. The change in net sales was driven by the following:

- *North America* net sales decreased \$8.4 million, or 0.8%, primarily driven by continued macroeconomic pressures impacting U.S. consumer behavior. Net sales in the Wholesale channel decreased \$6.7 million, or 0.8%. Net sales in the Direct channel decreased \$1.7 million, or 1.2%, as compared to the third quarter of 2023.
- *International* net sales increased \$31.3 million, or 12.4%, primarily driven by the success of new product launches. On a constant currency basis, International net sales increased 10.5%. Net sales in the Wholesale channel increased 14.6% on a constant currency basis. Net sales in the Direct channel increased 8.2% on a constant currency basis.

## GROSS PROFIT

<i>(in millions, except percentages)</i>	Three Months Ended September 30,					
	2024		2023			
	Gross Profit	Gross Margin	Gross Profit	Gross Margin		
North America	\$ 426.7	42.0 %	\$ 430.4	42.0 %	— %	
International	163.2	57.3 %	143.3	56.6 %	0.7 %	
Consolidated gross margin	<u>\$ 589.9</u>	<u>45.4 %</u>	<u>\$ 573.7</u>	<u>44.9 %</u>	<u>0.5 %</u>	

Costs associated with net sales are recorded in cost of sales and include the costs of producing, shipping, warehousing, receiving and inspecting goods during the period, as well as depreciation and amortization of long-lived assets used in the manufacturing process.

Our gross margin is primarily impacted by the relative amount of net sales contributed by our premium or value products. Our value products have a significantly lower gross margin than our premium products. If sales of our value priced products increase relative to sales of our premium priced products, our gross margins will be negatively impacted in both our North America and International segments.

Our gross margin is also impacted by fixed cost leverage based on manufacturing unit volumes; the cost of raw materials; operational efficiencies due to the utilization in our manufacturing facilities; product, brand, channel and country mix; foreign exchange fluctuations; volume incentives offered to certain retail accounts; participation in our retail cooperative advertising programs; and costs associated with new product introductions. Future changes in raw material prices could have a significant impact on our gross margin. Our margins are also impacted by the growth in our Wholesale channel as sales in our Wholesale channel are at wholesale prices, whereas sales in our Direct channel are at retail prices.

Gross margin improved 50 basis points. The primary drivers of changes in gross margin by segment are discussed below:

- *North America* gross margin was flat as compared to the third quarter of 2023. The factors impacting gross margin were primarily driven by the unfavorable mix of new OEM distribution of 150 basis points, offset by favorable commodity costs of 80 basis points and operational efficiencies.
- *International* gross margin improved 70 basis points. The improvement in gross margin was primarily driven by operational efficiencies of 60 basis points.

## OPERATING EXPENSES

Selling and marketing expenses include advertising and media production associated with the promotion of our brands, other marketing materials such as catalogs, brochures, videos, product samples, direct customer mailings and point of purchase materials and sales force compensation. We also include in selling and marketing expense certain new product development costs, including market research and new product testing.

General, administrative and other expenses include salaries and related expenses, IT, professional fees, depreciation and amortization of long-lived assets not used in the manufacturing process, expenses for administrative functions and research and development costs.

<i>(in millions)</i>	Three Months Ended September 30,															
	2024		2023		2024		2023									
	Consolidated		North America		International		Corporate									
Operating expenses:																
Advertising expenses	\$	119.3	\$	119.0	\$	98.2	\$	102.9	\$	21.1	\$	16.1	\$	—	\$	—
Other selling and marketing expenses		152.7		153.9		83.2		85.1		65.7		63.8		3.8		5.0
General, administrative and other expenses		118.6		122.2		52.0		46.9		27.2		28.0		39.4		47.3
Total operating expenses	\$	390.6	\$	395.1	\$	233.4	\$	234.9	\$	114.0	\$	107.9	\$	43.2	\$	52.3

Operating expenses decreased \$4.5 million, or 1.1%, and decreased 90 basis points as a percentage of net sales. The primary drivers of changes in operating expenses by segment are explained below:

- *North America* operating expenses decreased \$1.5 million, or 0.6%, and increased 10 basis points as a percentage of net sales. The decrease in operating expenses was primarily driven by decreases in advertising, offset by incremental bad debt expense related to retailer bankruptcies.
- *International* operating expenses increased \$6.1 million, or 5.7%, and decreased 260 basis points as a percentage of net sales. The increase in operating expenses was primarily driven by investments in growth initiatives.
- *Corporate* operating expenses decreased \$9.1 million, or 17.4%. The decrease in operating expenses was primarily driven by decreased variable compensation expense and transaction costs related to the pending acquisition of Mattress Firm.

Research and development expenses for the three months ended September 30, 2024 were \$7.0 million compared to \$8.2 million for the three months ended September 30, 2023, an decrease of \$1.2 million, or 14.6%.

## OPERATING INCOME

<i>(in millions, except percentages)</i>	Three Months Ended September 30,						
	2024			2023			
	Operating Income	Operating Margin		Operating Income	Operating Margin	Margin Change	
North America	\$	193.3	19.0 %	\$	195.5	19.1 %	(0.1)%
International		51.7	18.2 %		40.0	15.8 %	2.4 %
		245.0			235.5		
Corporate expenses		(43.2)			(52.3)		
Total operating income	\$	201.8	15.5 %	\$	183.2	14.3 %	1.2 %

Operating income increased \$18.6 million and operating margin improved 120 basis points. The primary drivers of changes in operating income and operating margin by segment are discussed below:

- *North America* operating income decreased \$2.2 million and operating margin declined 10 basis points. The decline in operating margin was primarily driven by operating expense deleverage of 10 basis points.
- *International* operating income increased \$11.7 million and operating margin improved 240 basis points. The improvement in operating margin was driven by operating expense leverage of 260 basis points and the improvement in gross margin of 70 basis points, partially offset by Asia joint venture performance of 90 basis points.
- *Corporate* operating expenses decreased \$9.1 million, which positively impacted our consolidated operating margin.

## INTEREST EXPENSE, NET

<i>(in millions, except percentages)</i>	Three Months Ended September 30,				
	2024	2023	% Change		
Interest expense, net	\$	30.8	\$	32.6	(5.5)%

Interest expense, net, decreased \$1.8 million, or 5.5%. The decrease in interest expense, net, was primarily driven by reduced average levels of outstanding variable rate debt.

## INCOME TAX PROVISION

<i>(in millions, except percentages)</i>	Three Months Ended September 30,		
	2024	2023	% Change
Income tax provision	\$ 40.8	\$ 36.8	10.9 %
Effective tax rate	23.9 %	24.4 %	

Our income tax provision includes income taxes associated with taxes currently payable and deferred taxes and includes the impact of net operating losses for certain of our foreign operations.

Our income tax provision increased \$4.0 million due to an increase in income before income taxes. Our effective tax rate for the three months ended September 30, 2024 as compared to the prior year declined by 50 basis points. The effective tax rates as compared to the U.S. federal statutory rates for the three months ended September 30, 2024 and 2023 included a net favorable impact of other discrete items.

**NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO THE  
NINE MONTHS ENDED SEPTEMBER 30, 2023**

The following table sets forth the various components of our Condensed Consolidated Statements of Income and expresses each component as a percentage of net sales:

<i>(in millions, except percentages and per share amounts)</i>	<b>Nine Months Ended September 30,</b>			
	<b>2024</b>		<b>2023</b>	
Net sales	\$ 3,723.0	100.0 %	\$ 3,754.9	100.0 %
Cost of sales	2,066.3	55.5	2,139.0	57.0
Gross profit	1,656.7	44.5	1,615.9	43.0
Selling and marketing expenses	813.2	21.8	799.8	21.3
General, administrative and other expenses	347.4	9.3	344.2	9.2
Equity income in earnings of unconsolidated affiliates	(10.5)	(0.3)	(13.4)	(0.4)
Operating income	506.6	13.6	485.3	12.9
<b>Other expense, net:</b>				
Interest expense, net	98.5	2.6	99.0	2.6
Other income, net	(0.5)	—	(0.2)	—
Total other expense, net	98.0	2.6	98.8	2.6
Income before income taxes	408.6	11.0	386.5	10.3
Income tax provision	(95.5)	(2.6)	(93.5)	(2.5)
Net income before non-controlling interest	313.1	8.4	293.0	7.8
Less: Net income attributable to non-controlling interest	0.7	—	2.0	0.1
Net income attributable to Tempur Sealy International, Inc.	\$ 312.4	8.4 %	\$ 291.0	7.7 %
<b>Earnings per common share:</b>				
Basic	\$ 1.80		\$ 1.69	
Diluted	\$ 1.75		\$ 1.64	
<b>Weighted average common shares outstanding:</b>				
Basic	173.6		172.1	
Diluted	178.1		177.0	

## NET SALES

<i>(in millions)</i>	Nine Months Ended September 30,							
	2024		2023		2024		2023	
	Consolidated		North America		International			
<i>Net sales by channel</i>								
Wholesale	\$ 2,818.1	\$ 2,876.4	\$ 2,510.1	\$ 2,585.4	\$ 308.0	\$ 291.0		
Direct	904.9	878.5	384.7	374.7	520.2	503.8		
Total net sales	<u>\$ 3,723.0</u>	<u>\$ 3,754.9</u>	<u>\$ 2,894.8</u>	<u>\$ 2,960.1</u>	<u>\$ 828.2</u>	<u>\$ 794.8</u>		

Net sales decreased 0.8%, and on a constant currency basis decreased 1.0%. The change in net sales was driven by the following:

- *North America* net sales decreased \$65.3 million, or 2.2%. Net sales in the Wholesale channel decreased \$75.3 million, or 2.9%, primarily driven by continued macroeconomic pressures impacting U.S. consumer behavior. Net sales in the Direct channel increased \$10.0 million, or 2.7%, primarily driven by strength in our e-commerce business.
- *International* net sales increased \$33.4 million, or 4.2%, primarily driven by the success of new product launches. On a constant currency basis, International net sales increased \$26.4 million, or 3.3%. Net sales in the Wholesale channel increased 6.4% on a constant currency basis. Net sales in the Direct channel increased 1.6% on a constant currency basis.

## GROSS PROFIT

<i>(in millions, except percentages)</i>	Nine Months Ended September 30,					
	2024			2023		
	Gross Profit	Gross Margin		Gross Profit	Gross Margin	Margin Change
North America	\$ 1,189.3	41.1 %		\$ 1,177.8	39.8 %	1.3 %
International	467.4	56.4 %		438.1	55.1 %	1.3 %
Consolidated gross margin	<u>\$ 1,656.7</u>	<u>44.5 %</u>		<u>\$ 1,615.9</u>	<u>43.0 %</u>	<u>1.5 %</u>

Costs associated with net sales are recorded in cost of sales and include the costs of producing, shipping, warehousing, receiving and inspecting goods during the period, as well as depreciation and amortization of long-lived assets used in the manufacturing process.

Gross margin improved 150 basis points. The primary drivers of changes in gross margin by segment are discussed below:

- *North America* gross margin improved 130 basis points. The improvement in gross margin was primarily driven by favorable commodity costs of 130 basis points and operational efficiencies of 70 basis points. These improvements were partially offset by the unfavorable mix of new OEM distribution of 100 basis points.
- *International* gross margin improved 130 basis points. The improvement in gross margin was primarily driven by operational efficiencies of 80 basis points and favorable commodity costs of 50 basis points.

## OPERATING EXPENSES

Selling and marketing expenses include advertising and media production associated with the promotion of our brands, other marketing materials such as catalogs, brochures, videos, product samples, direct customer mailings and point of purchase materials and sales force compensation. We also include in selling and marketing expense certain new product development costs, including market research and new product testing.

General, administrative and other expenses include salaries and related expenses, IT, professional fees, depreciation and amortization of long-lived assets not used in the manufacturing process, expenses for administrative functions and research and development costs.

(in millions)	Nine Months Ended September 30,							
	2024	2023	2024	2023	2024	2023	2024	2023
	Consolidated		North America		International		Corporate	
Operating expenses:								
Advertising expenses	\$ 346.6	\$ 349.7	\$ 281.1	\$ 291.6	\$ 65.5	\$ 58.1	\$ —	\$ —
Other selling and marketing expenses	466.6	450.1	253.7	242.6	200.8	192.1	12.1	15.4
General, administrative and other expenses	347.4	344.2	146.4	138.0	83.3	83.2	117.7	123.0
Total operating expenses	<u>\$ 1,160.6</u>	<u>\$ 1,144.0</u>	<u>\$ 681.2</u>	<u>\$ 672.2</u>	<u>\$ 349.6</u>	<u>\$ 333.4</u>	<u>\$ 129.8</u>	<u>\$ 138.4</u>

Operating expenses increased \$16.6 million, or 1.5%, and increased 70 basis points as a percentage of net sales. The primary drivers of changes in operating expenses by segment are explained below:

- *North America* operating expenses increased \$9.0 million, or 1.3%, and increased 80 basis points as a percentage of net sales. The increase in operating expenses was primarily driven by investments in growth initiatives and incremental bad debt expense related to retailer bankruptcies, offset by decreases in advertising.
- *International* operating expenses increased \$16.2 million, or 4.9%, and increased 30 basis points as a percentage of net sales. The increase in operating expenses was primarily driven by investments in growth initiatives.
- *Corporate* operating expenses decreased \$8.6 million, or 6.2%. The decrease in operating expenses was primarily driven by decreased variable compensation expense.

Research and development expenses were \$22.8 million for the nine months ended September 30, 2024 as compared to \$23.0 million for the nine months ended September 30, 2023, an decrease of \$0.2 million, or 0.9%.

(in millions, except percentages)	OPERATING INCOME					
	Nine Months Ended September 30,					
	2024		2023		Margin Change	
	Operating Income	Operating Margin	Operating Income	Operating Margin		
North America	\$ 508.1	17.6 %	\$ 505.6	17.1 %		0.5 %
International	128.3	15.5 %	118.1	14.9 %		0.6 %
	636.4		623.7			
Corporate expenses	(129.8)		(138.4)			
Total operating income	<u>\$ 506.6</u>	13.6 %	<u>\$ 485.3</u>	12.9 %		0.7 %

Operating income increased \$21.3 million and operating margin improved 70 basis points. The primary drivers of changes in operating income and operating margin by segment are discussed below:

- *North America* operating income increased \$2.5 million and operating margin improved 50 basis points. The improvement in operating margin was primarily driven by the improvement in gross margin of 130 basis points, partially offset by operating expense leverage of 80 basis points.
- *International* operating income increased \$10.2 million and operating margin improved 60 basis points. The improvement in operating margin was primarily driven by the improvement in gross margin of 130 basis points, partially offset by operating expense leverage of 30 basis points and Asia joint venture performance.
- *Corporate* operating expenses decreased \$8.6 million, which positively impacted our consolidated operating margin.

## INTEREST EXPENSE, NET

<i>(in millions, except percentages)</i>	Nine Months Ended September 30,		
	2024	2023	% Change
Interest expense, net	\$ 98.5	\$ 99.0	(0.5)%

Interest expense, net, decreased \$0.5 million, or 0.5%. The decrease in interest expense, net, was primarily driven by reduced average levels of outstanding variable rate debt.

## INCOME TAX PROVISION

<i>(in millions, except percentages)</i>	Nine Months Ended September 30,		
	2024	2023	% Change
Income tax provision	\$ 95.5	\$ 93.5	2.1 %
Effective tax rate	23.4 %	24.3 %	

Our income tax provision increased \$2.0 million driven by an increase in income before income taxes. Our effective tax rate for the nine months ended September 30, 2024 as compared to the prior year declined 90 basis points. The effective tax rates as compared to the U.S. federal statutory rates for the nine months ended September 30, 2024 and 2023 included the net favorable impact of the deductibility of stock compensation in the U.S., which was offset by the unfavorable impact of discrete items.

## Liquidity and Capital Resources

### Liquidity

Our principal sources of funds are cash flows from operations, supplemented with borrowings in the capital markets and made pursuant to our credit facilities and cash and cash equivalents on hand. Principal uses of funds consist of payments of principal and interest on our debt facilities, acquisitions, payments of dividends to our shareholders, capital expenditures and working capital needs.

As of September 30, 2024, we had net working capital of \$143.5 million, including cash and cash equivalents of \$104.2 million, as compared to a working capital of \$195.0 million, including cash and cash equivalents of \$74.9 million, as of December 31, 2023. The amount of cash and cash equivalents held by subsidiaries outside of the U.S. and not readily convertible into the U.S. Dollar or other major foreign currencies is not material to our overall liquidity or financial position.

### Cash Provided by (Used in) Operations

The table below presents net cash provided by (used in) operating, investing and financing activities from operations for the periods indicated below:

<i>(in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used in) operations:		
Operating activities	\$ 537.4	\$ 479.2
Investing activities	(75.9)	(152.8)
Financing activities	(435.7)	(303.2)

Cash provided by operating activities increased \$58.2 million in the nine months ended September 30, 2024 as compared to the same period in 2023. The increase in cash provided by operating activities was driven by a \$22.3 million increase in non-cash depreciation expense, primarily associated with our new Tempur manufacturing facility, a \$20.1 million increase in net income and a \$10.6 million increase in cash provided by changes in operating assets and liabilities.

Cash used in investing activities decreased \$76.9 million in the nine months ended September 30, 2024 as compared to the same period in 2023. The decrease in cash used in investing activities was primarily driven by decreased capital expenditures related to our manufacturing capacity expansion projects in 2023.

Cash used in financing activities increased \$132.5 million in the nine months ended September 30, 2024 as compared to the same period in 2023. For the nine months ended September 30, 2024, we had net repayments of \$307.3 million on our credit facilities as compared to \$198.4 million in the same period in 2023. We paid dividends to shareholders of \$70.1 million and \$58.8 million, during the nine months ended September 30, 2024 and 2023, respectively. Additionally, we repurchased \$43.8 million and \$36.0 million of our common stock to satisfy tax withholding obligations upon the vesting of our long-term incentive plans during the nine months ended September 30, 2024 and 2023, respectively.

### Capital Expenditures

Capital expenditures totaled \$76.4 million and \$153.3 million for the nine months ended September 30, 2024 and 2023, respectively. We currently expect our 2024 capital expenditures to be approximately \$125 million, which includes maintenance capital expenditures of \$110 million.

### Indebtedness

Our total debt decreased to \$2,287.8 million as of September 30, 2024 from \$2,593.6 million as of December 31, 2023. Total availability under our revolving senior secured credit facility was \$1,189.2 million as of September 30, 2024. Refer to Note 4, "Debt" in the "Notes to Condensed Consolidated Financial Statements," under Part I, ITEM 1 for further discussion of our debt.

On February 6, 2024, we entered into an amendment to the 2023 Credit Agreement which provides for a \$625.0 million delayed draw term loan and a \$40.0 million increase in availability on the existing revolving loan. Once drawn, the instruments will have the same terms and conditions as the Company's existing term loans and revolving loans, respectively, under the 2023 Credit Agreement. This amendment was executed in connection with the Company's financing strategy for the pending acquisition of Mattress Firm.

On October 24, 2024, we entered into an Amendment No. 2 ("Amendment No. 2") and an Amendment No. 3 ("Amendment No. 3" and together with Amendment No. 2, the "Amendments") to the 2023 Credit Agreement dated as of October 10, 2023, as amended. Amendment No. 2 extends the termination date for \$605 million of our existing delayed draw term A loan commitments until October 24, 2025, among other changes. Amendment No. 3 provides for an incremental term B loan in the aggregate principal amount of \$1.6 billion (the "Term B Loan"). The proceeds of the Term B Loan were funded into escrow on the closing of Amendment No. 3 and will mature on October 24, 2031. The proceeds of the Term B Loan will be used to pay fees and expenses in connection with Amendment No. 3 and may be released upon the closing of the previously disclosed Mattress Firm acquisition. If the closing of the Mattress Firm acquisition does not occur prior to the first anniversary of the funding date, we will be required to repay the Term B Loan.

As of September 30, 2024, our ratio of consolidated indebtedness less netted cash to adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is a non-GAAP financial measure, in accordance with our 2023 Credit Agreement was 2.41 times. This ratio is within the terms of the financial covenants for the maximum consolidated total net leverage ratio as set forth in the 2023 Credit Agreement, which limits this ratio to 5.00 times. As of September 30, 2024, we were in compliance with all of the financial covenants in our debt agreements, and we do not anticipate material issues under any debt agreements based on current facts and circumstances.

Our debt agreements contain certain covenants that limit restricted payments, including share repurchases and dividends. The 2023 Credit Agreement, 2029 Senior Notes and 2031 Senior Notes contain similar limitations which, subject to certain conditions, allow unlimited restricted payments at times when the ratio of consolidated indebtedness less netted cash to adjusted EBITDA, which is a non-GAAP financial measure, remains below 3.75 times in the case of the 2023 Credit Agreement and remains below 3.50 times in the cases of the 2029 Senior Notes and 2031 Senior Notes. In addition, these agreements permit limited restricted payments under certain conditions when the ratio of consolidated indebtedness less netted cash to adjusted EBITDA is above 3.75 times in the case of the 2023 Credit Agreement and above 3.50 times in the cases of the 2029 Senior Notes and 2031 Senior Notes. The limit on restricted payments under the 2023 Credit Agreement, 2029 Senior Notes and 2031 Senior Notes is in part determined by a basket that grows at 50% of adjusted net income each quarter, reduced by restricted payments that are not otherwise permitted.

For additional information, refer to "Non-GAAP Financial Information" below for the calculation of the ratio of consolidated indebtedness less netted cash to adjusted EBITDA calculated in accordance with the 2023 Credit Agreement. Both consolidated indebtedness and adjusted EBITDA as used in discussion of the 2023 Credit Agreement are non-GAAP financial measures and do not purport to be alternatives to net income as a measure of operating performance or total debt.

#### *Share Repurchase Program*

Our Board of Directors authorized a share repurchase program in 2016 pursuant to which we were authorized to repurchase shares of our common stock, and the Board of Directors has authorized increases to this authorization from time to time. During the nine months ended September 30, 2024, we did not repurchase shares under our share repurchase program. As of September 30, 2024, we had \$774.5 million remaining under our share repurchase authorization.

Share repurchases under this program may be made through open market transactions, negotiated purchases or otherwise, at times and in such amounts as management deems appropriate. These repurchases may be funded by operating cash flows and/or borrowings under our debt arrangements. The timing and actual number of shares repurchased will depend on a variety of factors including price, financing and regulatory requirements and other market conditions. The program is subject to certain limitations under our debt agreements. The program does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. Repurchases may be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when we might otherwise be precluded from doing so under federal securities laws.

We will manage our share repurchase program based on current and expected cash flows, share price and alternative investment opportunities. As a result of the pending Mattress Firm acquisition, we have temporarily suspended our repurchase of shares in advance of closing the transaction. For a complete description of our share repurchase program, please refer to ITEM 5 under Part II, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," in the 2023 Annual Report. Please also refer to "Issuer Purchases of Equity Securities" in ITEM 2(c) of Part II of this Report.

#### *Future Liquidity Sources and Uses*

As of September 30, 2024, we had \$1,293.4 million of liquidity, including \$104.2 million of cash on hand and \$1,189.2 million available under our 2023 Credit Agreement. In addition, we expect to generate cash flow from operations in the full year 2024. We believe that cash flow from operations, availability under our existing credit facilities and arrangements, current cash balances and the ability to obtain other financing, if necessary, will provide adequate cash funds for our foreseeable working capital needs, necessary capital expenditures, debt service obligations and dividend payments.

Our capital allocation strategy follows a balanced approach focused on supporting the business, returning shareholder value through strategic acquisition opportunities that enhance our global competitiveness, as well as quarterly dividends and opportunistic share repurchases.

The Board of Directors declared a dividend of \$0.13 per share for the fourth quarter of 2024. The dividend is payable on December 5, 2024 to shareholders of record as of November 21, 2024.

As of September 30, 2024, we had \$2,287.8 million in total debt outstanding and consolidated indebtedness less netted cash, which is a non-GAAP financial measure, of \$2,183.6 million. Leverage based on the ratio of consolidated indebtedness less netted cash to adjusted EBITDA, which is a non-GAAP financial measure, was 2.41 times for the trailing twelve months ended September 30, 2024.

Our debt service obligations could, under certain circumstances, have material consequences to our stockholders. Similarly, our cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that we may complete may also impact our cash requirements and debt service obligations.





## **Non-GAAP Financial Information**

We provide information regarding adjusted net income, EBITDA, adjusted EBITDA, adjusted EPS, adjusted gross profit, adjusted gross margin, adjusted operating income (expense), adjusted operating margin, consolidated indebtedness and consolidated indebtedness less netted cash, which are not recognized terms under GAAP and do not purport to be alternatives to net income, earnings per share, gross profit, gross margin, operating income (expense) and operating margin as a measure of operating performance, or an alternative to total debt as a measure of liquidity. We believe these non-GAAP financial measures provide investors with performance measures that better reflect our underlying operations and trends, providing a perspective not immediately apparent from net income, gross profit, gross margin, operating income (expense) and operating margin. The adjustments we make to derive the non-GAAP financial measures include adjustments to exclude items that may cause short-term fluctuations in the nearest GAAP financial measure, but which we do not consider to be the fundamental attributes or primary drivers of our business.

We believe that exclusion of these items assists in providing a more complete understanding of our underlying results from operations and trends, and we use these measures along with the corresponding GAAP financial measures to manage our business, to evaluate our consolidated and business segment performance compared to prior periods and the marketplace, to establish operational goals and to provide continuity to investors for comparability purposes. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with GAAP. These non-GAAP financial measures should be considered supplemental in nature and should not be construed as more significant than comparable financial measures defined by GAAP. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies. For more information about these non-GAAP financial measures and a reconciliation to the nearest GAAP financial measure, please refer to the reconciliations on the following pages.

*Adjusted Net Income and Adjusted EPS*

A reconciliation of reported net income to adjusted net income and the calculation of adjusted EPS is provided below. We believe that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of various adjustments as described in the footnotes below.

The following table sets forth the reconciliation of our reported net income to adjusted net income and the calculation of adjusted EPS for the three months ended September 30, 2024 and 2023:

<i>(in millions, except per share amounts)</i>	<b>Three Months Ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Net income	\$ 130.0	\$ 113.3
Transaction costs <sup>(1)</sup>	13.7	15.7
Supply chain transition costs <sup>(2)</sup>	8.2	—
Cybersecurity event <sup>(3)</sup>	—	13.5
Operational start-up costs <sup>(4)</sup>	—	2.3
Adjusted income tax provision <sup>(5)</sup>	(5.4)	(8.0)
Adjusted net income	<u>\$ 146.5</u>	<u>\$ 136.8</u>
Adjusted earnings per common share, diluted	<u>\$ 0.82</u>	<u>\$ 0.77</u>
Diluted shares outstanding	<u>178.2</u>	<u>177.6</u>

- (1) In the third quarter of 2024, we recorded \$13.7 million of transaction costs, primarily related to legal and professional fees associated with the pending acquisition of Mattress Firm. Cost of sales included \$2.4 million of charges related to customer-specific inventory. Operating expenses primarily included legal and professional fees associated with the pending acquisition of Mattress Firm. In the third quarter of 2023, we recorded \$15.7 million of transaction costs primarily associated with the pending acquisition of Mattress Firm.
- (2) In the third quarter of 2024, we recorded \$8.2 million of supply chain transition costs associated with the consolidation of certain manufacturing facilities, with \$8.0 million recorded in cost of sales and \$0.2 million recorded in operating expenses.
- (3) In the third quarter of 2023, we recorded \$13.5 million of costs associated with the cybersecurity event identified on July 23, 2023. Cost of sales included \$9.6 million of manufacturing and network disruption costs incurred to ensure business continuity. Operating expenses included \$3.9 million, primarily related to professional fees incurred for incident response, containment measures and stabilization of the Company's information systems.
- (4) In the third quarter of 2023, we recorded \$2.3 million of operational start-up costs related to the capacity expansion of our manufacturing and distribution facilities in the U.S., including personnel and facility related costs.
- (5) Adjusted income tax provision represents the tax effects associated with the aforementioned items.

**Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Operating Income (Expense) and Adjusted Operating Margin**

The following table sets forth the reconciliation of our reported gross profit and operating income (expense) to the calculation of adjusted gross profit and adjusted operating income (expense) for the three months ended September 30, 2024.

<i>(in millions, except percentages)</i>	Three Months Ended September 30, 2024							
	Consolidated		North America		International		Corporate	
		Margin		Margin		Margin		
Net sales	\$ 1,300.0		\$ 1,015.3		\$ 284.7		\$ —	
Gross profit	\$ 589.9	45.4 %	\$ 426.7	42.0 %	\$ 163.2	57.3 %	\$ —	
Adjustments:								
Supply chain transition costs <sup>(1)</sup>	8.0		8.0		—		—	
Transaction costs <sup>(2)</sup>	2.4		2.4		—		—	
Total adjustments	10.4		10.4		—		—	
Adjusted gross profit	\$ 600.3	46.2 %	\$ 437.1	43.1 %	\$ 163.2	57.3 %	\$ —	
Operating income (expense)	\$ 201.8	15.5 %	\$ 193.3	19.0 %	\$ 51.7	18.2 %	\$ (43.2)	
Adjustments:								
Transaction costs <sup>(2)</sup>	13.7		2.5		—		11.2	
Supply chain transition costs <sup>(1)</sup>	8.2		8.2		—		—	
Total adjustments	21.9		10.7		—		11.2	
Adjusted operating income (expense)	\$ 223.7	17.2 %	\$ 204.0	20.1 %	\$ 51.7	18.2 %	\$ (32.0)	

(1) In the third quarter of 2024, we recorded \$8.2 million of supply chain transition costs associated with the consolidation of certain manufacturing facilities, with \$8.0 million recorded in cost of sales and \$0.2 million recorded in operating expenses.

(2) In the third quarter of 2024, we recorded \$13.7 million of transaction costs. Cost of sales included \$2.4 million of charges related to customer-specific inventory. Operating expenses primarily included legal and professional fees associated with the pending acquisition of Mattress Firm.

The following table sets forth our reported gross profit and operating income (expense) to the calculation of adjusted gross profit and adjusted operating income (expense) for the three months ended September 30, 2023.

<i>(in millions, except percentages)</i>	<b>Three Months Ended September 30, 2023</b>							
	<b>Consolidated</b>	<b>Margin</b>	<b>North America</b>	<b>Margin</b>	<b>International</b>	<b>Margin</b>	<b>Corporate</b>	
Net sales	\$ 1,277.1		\$ 1,023.7		\$ 253.4		\$ —	
Gross profit	\$ 573.7	44.9 %	\$ 430.4	42.0 %	\$ 143.3	56.6 %	\$ —	
Adjustments:								
Cybersecurity event <sup>(1)</sup>	9.6		9.6		—		—	
Operational start-up costs <sup>(2)</sup>	2.3		2.3		—		—	
Total adjustments	11.9		11.9		—		—	
Adjusted gross profit	\$ 585.6	45.9 %	\$ 442.3	43.2 %	\$ 143.3	56.6 %	\$ —	
Operating income (expense)	\$ 183.2	14.3 %	\$ 195.5	19.1 %	\$ 40.0	15.8 %	\$ (52.3)	
Adjustments:								
Transaction costs <sup>(3)</sup>	15.7		—		—		15.7	
Cybersecurity event <sup>(1)</sup>	13.5		10.0		1.1		2.4	
Operational start-up costs <sup>(2)</sup>	2.3		2.3		—		—	
Total adjustments	31.5		12.3		1.1		18.1	
Adjusted operating income (expense)	\$ 214.7	16.8 %	\$ 207.8	20.3 %	\$ 41.1	16.2 %	\$ (34.2)	

(1) In the third quarter of 2023, we recorded \$13.5 million of costs associated with the cybersecurity event identified on July 23, 2023. Cost of sales included \$9.6 million of manufacturing and network disruption costs incurred to ensure business continuity. Operating expenses included \$3.9 million, primarily related to professional fees incurred for incident response, containment measures and stabilization of our information systems.

(2) In the third quarter of 2023, we recorded \$2.3 million of operational start-up costs in cost of sales related to the capacity expansion of our manufacturing and distribution facilities in the U.S., including personnel and facility related costs.

(3) In the third quarter of 2023, we recorded \$15.7 million of transaction costs, primarily related to legal and professional fees associated with the pending acquisition of Mattress Firm.

**EBITDA, Adjusted EBITDA and Consolidated Indebtedness less Netted Cash**

The following reconciliations are provided below:

- Net income to EBITDA and adjusted EBITDA
- Ratio of consolidated indebtedness less netted cash to adjusted EBITDA
- Total debt, net to consolidated indebtedness less netted cash

We believe that presenting these non-GAAP measures provides investors with useful information with respect to our operating performance, cash flow generation and comparisons from period to period, as well as general information about our leverage.

The 2023 Credit Agreement provides the definition of adjusted EBITDA. Accordingly, we present adjusted EBITDA to provide information regarding our compliance with requirements under the 2023 Credit Agreement.

The following table sets forth the reconciliation of our reported net income to the calculations of EBITDA and adjusted EBITDA for the three months ended September 30, 2024 and 2023:

<i>(in millions)</i>	<b>Three Months Ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Net income	\$ 130.0	\$ 113.3
Interest expense, net	30.8	32.6
Income taxes	40.8	36.8
Depreciation and amortization	51.3	45.5
<b>EBITDA</b>	<b>\$ 252.9</b>	<b>\$ 228.2</b>
Adjustments:		
Transaction costs <sup>(1)</sup>	13.7	15.7
Supply chain transition costs <sup>(2)</sup>	8.2	—
Cybersecurity event <sup>(3)</sup>	—	13.5
Operational start-up costs <sup>(4)</sup>	—	2.3
<b>Adjusted EBITDA</b>	<b>\$ 274.8</b>	<b>\$ 259.7</b>

- (1) In the third quarter of 2024, we recorded \$13.7 million of transaction costs associated with the pending acquisition of Mattress Firm. Cost of sales included \$2.4 million of charges related to customer-specific inventory. Operating expenses primarily included legal and professional fees associated with the pending acquisition of Mattress Firm. In the third quarter of 2023, we recorded \$15.7 million of transaction costs primarily associated with the pending acquisition of Mattress Firm.
- (2) In the third quarter of 2024, we recorded \$8.2 million of supply chain transition costs associated with the consolidation of certain manufacturing facilities, with \$8.0 million recorded in cost of sales and \$0.2 million recorded in operating expenses.
- (3) In the third quarter of 2023, we recorded \$13.5 million of costs associated with the cybersecurity event identified on July 23, 2023. Cost of sales included \$9.6 million of manufacturing and network disruption costs incurred to ensure business continuity. Operating expenses included \$3.9 million, primarily related to professional fees incurred for incident response, containment measures and stabilization of our information systems.
- (4) In the third quarter of 2023, we recorded \$2.3 million of operational start-up costs related to the capacity expansion of its manufacturing and distribution facilities in the U.S., including personnel and facility related costs.

The following table sets forth the reconciliation of our net income to the calculations of EBITDA and adjusted EBITDA for the trailing twelve months ended September 30, 2024:

<i>(in millions)</i>	<b>Trailing Twelve Months Ended September 30, 2024</b>	
Net income	\$	389.5
Interest expense, net		129.4
Loss on extinguishment of debt <sup>(1)</sup>		3.2
Income tax provision		105.4
Depreciation and amortization		198.9
EBITDA	\$	826.4
Adjustments:		
Transaction costs <sup>(2)</sup>		53.3
Fair value remeasurement <sup>(3)</sup>		11.0
Supply chain transition costs <sup>(4)</sup>		8.2
Operational start-up costs <sup>(5)</sup>		7.1
Cybersecurity event <sup>(6)</sup>		0.8
Adjusted EBITDA	\$	906.8
Consolidated indebtedness less netted cash	\$	2,183.6
Ratio of consolidated indebtedness less netted cash to adjusted EBITDA		2.41 times

(1) In the trailing twelve months ended September 30, 2024, we recognized \$3.2 million of loss on extinguishment of debt associated with the refinancing of its senior secured credit facilities.

(2) In the trailing twelve months ended September 30, 2024, we recognized \$53.3 million of transaction costs associated with the pending acquisition of Mattress Firm, primarily recorded in operating expenses.

(3) In the trailing twelve months ended September 30, 2024, we recorded a fair value remeasurement of \$11.0 million related to a strategic investment in a product innovation initiative.

(4) In the trailing twelve months ended September 30, 2024, we recorded \$8.2 million of supply chain transition costs associated with the consolidation of certain manufacturing facilities, with \$8.0 million recorded in cost of sales and \$0.2 million recorded in operating expenses.

(5) In the trailing twelve months ended September 30, 2024, we recognized \$7.1 million of operational start-up costs.

(6) In the trailing twelve months ended September 30, 2024, we recorded \$0.8 million of costs associated with the cybersecurity event identified on July 23, 2023.

Under the 2023 Credit Agreement, the ratio of adjusted EBITDA to consolidated indebtedness less netted cash was 2.41 times for the trailing twelve months ended September 30, 2024. The 2023 Credit Agreement requires us to maintain a ratio of consolidated indebtedness less netted cash to adjusted EBITDA of less than 5.00 times.

The following table sets forth the reconciliation of our reported total debt to the calculation of consolidated indebtedness less netted cash as of September 30, 2024. "Consolidated Indebtedness" and "Netted Cash" are terms used in the 2023 Credit Agreement for purposes of certain financial covenants.

<i>(in millions)</i>	<b>September 30, 2024</b>
Total debt, net	\$ 2,273.5
Plus: Deferred financing costs <sup>(1)</sup>	14.3
Consolidated indebtedness	2,287.8
Less: Netted cash <sup>(2)</sup>	104.2
Consolidated indebtedness less netted cash	\$ 2,183.6

(1) We present deferred financing costs as a direct reduction from the carrying amount of the related debt in the Condensed Consolidated Balance Sheets. For purposes of determining total debt for financial covenant purposes, we have added these costs back to total debt, net as calculated per the Condensed Consolidated Balance Sheets.

(2) Netted cash includes cash and cash equivalents for domestic and foreign subsidiaries designated as restricted subsidiaries in the 2023 Credit Agreement.

### **Critical Accounting Policies and Estimates**

For a discussion of our critical accounting policies and estimates, please refer to ITEM 7 under Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the 2023 Annual Report. There have been no material changes to our critical accounting policies and estimates in 2024.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company's market risks are discussed in detail in ITEM 7A of Part II of our 2023 Annual Report. Management has reassessed the quantitative and qualitative market risk disclosures described in our 2023 Annual Report and determined there were no material changes to market risks for the nine months ended September 30, 2024.

### **ITEM 4. CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2024, and were designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting:**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

Information regarding legal proceedings can be found in Note 8, "Commitments and Contingencies," of the "Notes to Condensed Consolidated Financial Statements," under Part I, ITEM 1, "Financial Statements" of this Report and is incorporated by reference herein.



**ITEM 1A. RISK FACTORS**

None.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) Not applicable.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities

The following table sets forth purchases of our common stock for the three months ended September 30, 2024:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value of shares) that may yet be purchased under the plans or programs <i>(in millions)</i>
July 1, 2024 - July 31, 2024	—	\$—	—	\$774.5
August 1, 2024 - August 31, 2024	666 <sup>(1)</sup>	\$49.01	—	\$774.5
September 1, 2024 - September 30, 2024	—	\$—	—	\$774.5
Total	<u>666</u>		<u>—</u>	

(1) Includes shares withheld upon the vesting of certain equity awards to satisfy tax withholding obligations. The shares withheld were valued at the closing price of the common stock on the New York Stock Exchange on the vesting date or prior business day.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

(a) Not applicable.

(b) Not applicable.

(c) During the quarter ended September 30, 2024, none of our directors or executive officers adopted any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a "10b5-1 trading arrangement") or any "non-Rule 10b5-1 trading arrangement" (as those terms are defined Regulation S-K, Item 408).

## ITEM 6. EXHIBITS

The following is an index of the exhibits included in this report:

3.1	<a href="#">Amended and Restated Certificate of Incorporation of Tempur-Pedic International Inc. (filed as Exhibit 3.1 to Amendment No. 3 to the Registrant's registration statement on Form S-1/A (File No. 333-109798) as filed on December 12, 2003).</a> <sup>(1)</sup>
3.2	<a href="#">Amendment to Certificate of Incorporation of Tempur-Pedic International Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on May 24, 2013).</a> <sup>(1)</sup>
3.3	<a href="#">Second Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Tempur Sealy International, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on May 10, 2021).</a> <sup>(1)</sup>
3.4	<a href="#">Seventh Amended and Restated By-laws of Tempur Sealy International, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on February 11, 2019).</a> <sup>(1)</sup>
4.1	<a href="#">Indenture, dated as of March 25, 2021, among Tempur Sealy International, Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed on March 25, 2021).</a> <sup>(1)</sup>
4.2	<a href="#">Form of 4.00% Senior Notes due 2029 (included in Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed on March 25, 2021).</a> <sup>(1)</sup>
4.3	<a href="#">Indenture, dated as of September 24, 2021 among Tempur Sealy International, Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed as Exhibit 10.1 (but numbered 4.1) to the Registrant's Current Report on Form 8-K as filed on September 24, 2021).</a> <sup>(1)</sup>
4.4	<a href="#">Form of 3.875% Senior Notes due 2031 (included in Exhibit 10.1 (but numbered 4.2) to the Registrant's Current Report on Form 8-K as filed on September 24, 2021).</a> <sup>(1)</sup>
4.5	<a href="#">Description of Securities (filed as Exhibit 4.6 to the Registrant's Annual Report on Form 10-K as filed on February 16, 2024).</a> <sup>(1)</sup>
31.1	<a href="#">Certification of Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101	The following materials from Tempur Sealy International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL.

(1) Incorporated by reference.

\* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78r), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 7, 2024

**TEMPUR SEALY INTERNATIONAL, INC.**

By: \_\_\_\_\_ /s/ BHASKAR RAO

**Bhaskar Rao**

**Executive Vice President and Chief Financial Officer**





**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Tempur Sealy International, Inc. (the “Company”), that, to his knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 7, 2024

By: /s/ SCOTT L. THOMPSON  
**Scott L. Thompson**  
**Chairman, President and Chief Executive Officer**

Date: November 7, 2024

By: /s/ BHASKAR RAO  
**Bhaskar Rao**  
**Executive Vice President and Chief Financial Officer**