

TEMPUR SEALY INTERNATIONAL, INC.
Form DEFA14A
April 14, 2015

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

TEMPUR SEALY INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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

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

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
 - (1) Amount previously paid:

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

 - (3) Filing Party:

(4) Date Filed:

Explanatory Note:

On or after April 13, 2015, Tempur Sealy International, Inc. will release or otherwise provide to investors an investor presentation titled "The Right Board, The Right Leadership And The Right Strategy To Deliver Stockholder Value Now And Over The Long Term - Refuting H Partners' Misleading Claims".

Tempur Sealy International, Inc.
Supplemental Slides
April 14, 2015
The Right Board, The Right Leadership and The Right Strategy
to Deliver Stockholder Value Now and Over The Long-Term
Refuting H Partners' Misleading Claims

Board and Management Team's History of Value Creation

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Under the leadership of the current Board and management team, Tempur Sealy has consistently delivered strong results and stockholder value creation

Tempur Sealy has transformed itself into the global bedding leader and is executing a clear strategy to drive continued growth and profitability

Tempur Sealy's Board and management are steadfast in their commitment to strong corporate governance and stockholder stewardship

Your Board and management team remain keenly focused on enhancing margins and executing

a

global
growth

plan

and

are

confident

in

the

Company's

ability

to

deliver

on

these priorities for stockholders

Tempur Sealy has a proven Board and management team who are uniquely capable of

delivering on the value creation inherent in the Company's strategy

Given Recent Misleading Claims by H Partners Regarding

Tempur Sealy, It Is Time to Present the Facts

Tempur Sealy's Board and Management are Committed to

Creating Long-Term Value for ALL Stockholders

Note:

Please refer to Forward-Looking Statements at the end of this investor presentation.

H Partners Agrees: Tempur Sealy Under Mark Sarvary
Delivering Incredible Progress

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Despite its Personal Appreciation of Incredible Progress,
a Mere Month Later, H Partners Launched a Campaign

That Could Jeopardize This Very Progress and Dismiss the Team Driving These Outstanding Contributions

FACT: H Partners Praised Mark Sarvary's Performance in January 2015, Only Weeks Before the Start of its Public Campaign

H Partners

Claim:

Confronting

the

Facts

in

2015:
Based
on
Three
Years
Evidence
of
Value
Destruction
by
Mr.
Sarvary
and
the
Board,
We

Have Re-Assessed Our Position

Dear Mark,

Happy New Year! Thanks for your outstanding contributions to the company. Tempur has made incredible progress over the past two years and we know how much work went into that. While the stock may not reflect this progress, we believe it's only a matter of time and that 2015 will be a great year. I hope you enjoy our annual letter and look forward to seeing you in Las Vegas!

(1)
(January 2015)

Note:

Permission to use quotes neither sought nor obtained.

Note 1:

As referenced, Mr. Sarvary met with Arik Ruchim of H Partners on January 18, 2015 at Las Vegas Market, the annual site of the

Regards,

Arik

Leader in Total Shareholder Return

(1)

(Since Mark Sarvary Joined On Aug 4, 2008 to Apr 10, 2015)

+511%

+212%

Tempur Sealy

Peer Median

(4)

Tempur Sealy's Track Record of Strong and Consistent

Long-Term Results

4

Mr. Sarvary led Tempur Sealy through the recession and a significant change in competitive landscape in 2012, producing per

Comparisons

to
Select
Comfort
paint
an
inaccurate
and
misleading
view
of
comparative
performance;
Select
Comfort s
share
price
hit
an
all-time
low of \$0.19 on December 19, 2008, down 97% from one year prior
(2)

We are dropping coverage of Select Comfort due to doubts regarding the company s ability to continue as a going concern.
(Wedbush Morgan Securities
December 23, 2008)

(3)
FACT:
Tempur
Sealy
Has
Realized
a
Total
Stockholder
Return
of
511%

(1)
Under
Mr.
Sarvary
and
the
Board s
Leadership.
Over
That
Same Time Period, Mattress Peers Select Comfort and Simmons Co. Entered or Appeared to be Nearing Bankruptcy
H Partners
Claim: Tempur Sealy Has Significantly Underperformed the S&P 500 Index, Mattress Sector Peers and the Company s Self-
Selected Peer Group

Track Record of Performance

Under Mr. Sarvary and the Board

(200%)

0%

200%

400%

600%

800%

1000%

Aug-08

Aug-09

Aug-10

Aug-11

Aug-12

Aug-13

Aug-14

Tempur Sealy

S&P 500

Aug 4, 2008:

Mr. Sarvary

joins as CEO

H Partners cuts off

performance around this point

Tremendous outperformance

versus market and peers

Significant change

in competitive

landscape

Recovery and continued strong

performance driven by strategic

action and Sealy acquisition

Significant

outperformance

under Mr. Sarvary

Note 1:

Represents performance from August 4, 2008, the date Mr. Sarvary joined as CEO, to April 10, 2015. Total shareholder return

Note 2:

Represents performance from December 19, 2007 to December 19, 2008. Includes stock price appreciation only.

Note 3:

Permission to use quote neither sought nor obtained.

Note 4:

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

Note 5:

During 2008-2014, the Company's reported net income under U.S. generally accepted accounting principles ("GAAP") grew significantly. Management believes that the use of Adjusted EPS and Adjusted EBITDA are more meaningful measures of performance than GAAP net income or GAAP EPS. Management believes that the use of Adjusted EPS and Adjusted EBITDA is more meaningful because it excludes the impact of non-recurring items, including income from a partial settlement of a legal dispute, and adjustment of taxes to a normalized tax rate related to

the Sealy acquisition, and (where applicable) the disposal of three U.S. innerspring component facilities, the accelerated amortization of intangible assets, and the impact of non-recurring items, including income from a partial settlement of a legal dispute, and adjustment of taxes to a normalized tax rate related to

items, including income from a partial settlement of a legal dispute, and adjustment of taxes to a normalized tax rate related to

information with respect to the Company's senior secured credit facility and covenant compliance. For a reconciliation of Adj
+95%

Strong Financial Performance

(2008

2014 CAGR)

+21.5%

+15.2%

+18.9%

Adj. EBITDA

(5)

Net Sales

Adj. EPS

(5)

S&P 500

(40%)

0%

40%

80%

Feb-04

Nov-04

Jul-05

Apr-06

Jan-07

Oct-07

Mr. Sarvary's Strong Performance at Campbell Soup North America

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We believe that H Partners

use of market capitalization weighted index data to compare against Campbell Soup's results excluding the International Soup & Sauces segment is flawed

H Partners

proxy for Campbell Soup North America (Campbell Soup's overall performance excluding the International Soup & Sauces segment) does not accurately reflect Mr. Sarvary's responsibilities

Revenue and EBIT growth in the market indices were impacted by index membership changes and M&A during the time period

Index not only includes players with large international operations, but is heavily weighted towards those players (e.g. Legacy

General

Mills

and

Heinz

had

a

combined

weight

of

over

50%

of

the

index

in

2007)

+23%

+42%

Campbell Soup

Peer Median

(2)

Summary Performance

Peer Breakout

(1)

Kellogg

56%

WM Wrigley

55%

Heinz

44%

Campbell Soup

42%

General Mills

40%

Dean Foods

30%

McCormick & Company

23%

Hershey

20%

Legacy Kraft Foods

15%

ConAgra Foods

11%

Tyson Foods

11%

Sara Lee

3%

FACT: As President of Campbell Soup North America, Mr. Sarvary Successfully Helped Drive Total Stockholder Returns That Outperformed Peers by ~2x

H Partners

Claim: Under Mr. Sarvary, Campbell Soup North America Significantly Underperformed Peers

Note 1:

Total Shareholder Return includes stock price appreciation and dividends reinvested. Represents performance during Mr. Sarvary's tenure.

Note 2:

Peer group represents constituents of the S&P 500 Packaged Foods Index in 2003 and 2007; ConAgra Foods, Dean Foods, General Mills, and Huggo. Composite performance represents the peer median. Excludes Campbell Soup, which was also a member of the S&P 500 Packaged Foods Index.

Tempur Sealy Has the Right Leadership in Place to Drive Value for All Stockholders Now and Over the Long-Term

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Mr. Sarvary was identified as part of the Board's extensive search process. Search process was overseen by a Board committee comprised of four independent directors with the assistance of leading executive search firm.

Process included extensive due diligence and review of Mr. Sarvary's track record, including detailed discussion with his colleagues and former employers.

Mr. Sarvary had a successful track record at Campbell Soup Company.

one
that
was
well
recognized
by
management
and
came to an amicable conclusion
During tenure as president, the North America division grew sales
and earnings each year
Board unanimously concluded that Mr. Sarvary was the best person
to lead Tempur Sealy forward
Tempur Sealy Board Looked for World Class
Leader with Deep Retail and Consumer
Experience

Mr.
Sarvary
Was
a
Clear
Choice
H Partners Voiced Strong Support for
Tempur Sealy's Leadership
In addition to its very supportive January 2015 note, H Partners
communicated:

Our businesses in North America, under Mark Sarvary's leadership,
delivered another strong performance this past year. We have good
momentum in the marketplace in our core categories of simple meals,
including soup, as well as baked snacks, and vegetable-based beverages.
We are well positioned to build on this performance. I want to thank Mark
for
the
many
contributions
he
has
made
to
Campbell
and
wish
him
well in
the
future.
He
has
done

an exceptional job.

Douglas

R.

Conant,

Campbell's

CEO

(1)

(04 October 2007)

JULY

2014:

Congratulations

on

your

progress

in

the

second

quarter. In

particular, we were impressed by Tempur North America's growth. We know

how much work went into stabilizing this segment, and we are very

appreciative. Between Tempur North America's resumed growth trajectory,

Sealy's continued market share gains, and an expanding international

presence for both brands, the company's future is bright. Thanks for your

leadership

H Partners

email

to

Mark

Sarvary

and

other

members of

Tempur Sealy management

(1)

(25 July 2014)

MARCH

2012:

In

2008 Tempur-Pedic

recruited

a

CEO

[Mark

Sarvary] who previously worked at the Campbell Soup Company,

J.

Crew and Nestle

These

managers

strong

consumer

and general
management backgrounds have enabled Tempur-Pedic and Select Comfort
to succeed.

H Partners

Letter to Sealy Corporation

(1)

(11 March 2012)

Note 1:

Permission to use quotes neither sought nor obtained.

Tempur Stockholders: Do Not Be Deceived by H Partners

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Only a month before its public complaints against the Company, H Partners was praising the Tempur Sealy management team

We urge all Tempur Sealy stockholders to see through H Partners misrepresentations

Vote to maintain the strategy and progress overseen by the Tempur Sealy Board and management team

Who Do You Trust?

Protect Your Investment:

Vote FOR

Tempur Sealy's Board Nominees

Appendix
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Year Ended	
Year Ended	
Adjusted EBITDA	
December 31, 2008	
December 31, 2014	
Net income attributable to Tempur Sealy International, Inc.	
\$58.9	
\$108.9	
Interest expense	
25.1	
91.9	
Income taxes	
48.6	

64.9
Depreciation & amortization
40.8
89.7
EBITDA
\$173.3
\$355.4
Adjustments for financial covenant purposes:
Integration costs
--
40.3
Financing charges
--
1.3
Loss on disposal of business
--
23.2
Other income
--
(15.6)
Adjusted EBITDA
\$173.3
\$404.6

In this investor presentation and certain of its press releases and SEC filings, the Company provides information regarding adjusted earnings per share and adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), which are not recognized terms under U.S. Generally Accepted Accounting Principles (GAAP) and do not purport to be alternatives to net income as a measure of operating performance or GAAP earnings per share. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

Adjusted
EPS

Management believes that the use of this non-GAAP financial measure provides investors with additional useful information with respect to the impact of various costs associated with the Sealy acquisition and the disposal of the three U.S. innerspring component facilities and the accelerated amortization of deferred financing charges for voluntary prepayment of Term A and Term B loans, other income related to certain other non-recurring items, including income from a partial settlement of a legal dispute, and adjustment of taxes to a normalized rate related to the aforementioned items and other discrete income tax events.

EBITDA/Adjusted
EBITDA

Management believes that the use of EBITDA and adjusted EBITDA provides investors with useful information with respect to the terms of the Company's senior secured credit facility and the

Company's compliance with key financial covenants.

For more information regarding the types of reconciling adjustments made between these non-GAAP financial measures and the corresponding GAAP information set forth above under

Reconciliation of Non-GAAP Financial Measures, please refer to the Company's SEC filings, including the Company's report on Form 8-K filed on February 5, 2015.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES

(In millions, except ratios and per common share amounts)

Year Ended

Year Ended

Adjusted Earnings Per Share, Diluted

December 31, 2008

December 31, 2014

Earnings per share, diluted (GAAP)

\$0.79

\$1.75

Loss on disposal of business, net of tax

--

0.27

Integration costs, net of tax

--

0.49

Financing costs, net of tax

--

0.05

Other income, net of tax

--

(0.18)

Adjustment of taxes to normalized rate

--

0.27

Tax provision related to repatriation of foreign earnings

0.15

--

Adjusted earnings per share, diluted

\$0.94

\$2.65

Diluted shares outstanding

74.9

62.1

Reconciliation of Non-GAAP Financial Measures

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

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

Note 3: Loss on disposal of business represents costs associated with the disposition of the three U.S. innerspring component plants.

Note 4: Other

income

in

2014

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

- (1)
- (1)
- (2)
- (2)
- (3)
- (3)
- (4)
- (4)

Forward-Looking Statements

TEMPUR, Tempur-Pedic, TEMPUR-Cloud, TEMPUR-Choice, TEMPUR-Weightless, TEMPUR-Contour, TEMPUR-Rhapsody, TEMPUR-UP, TEMPUR-Neck, TEMPUR-Symphony, TEMPUR-Comfort, TEMPUR-Traditional, TEMPUR-Home, Sealy, Sealy logo, and Sealy logo are trademarks, trade names or service marks of Tempur Sealy International, Inc. and/or its subsidiaries. All other trademarks, trade names and service marks are the property of their respective owners.

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

Note Regarding Historical Financial Information:

Note Regarding Trademarks, Trade Names and Service Marks:

This investor presentation contains "forward-looking statements," within the meaning of the federal securities laws, which include the Company's plans, objectives, goals, strategies and other information that is not historical information. These forward-looking statements are based on the Company's current expectations and assumptions regarding its key strategic growth initiatives, margin improvements and global growth. There is no assurance that the Company will realize these expectations or that these beliefs will prove correct.

Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from those in our investor presentation. These risk factors include risks associated with the Company's capital structure and increased debt level; the Company's operations and realize cost and revenue synergies and other benefits from the transaction; whether the Company will be able to complete dispositions in 2014 and the acquisition of brand rights in certain international markets in 2014; general economic, financial and market conditions, as well as consumer confidence and the availability of consumer financing; changes in product and channel mix and the impact of changes in interest rates; the impact of the macroeconomic environment in both the U.S. and internationally on the Company's business segments; the effects of changes in foreign exchange rates on the Company's reported net sales and earnings; consumer acceptance of the Company's products; the efficiency and effectiveness of the Company's advertising campaigns and other marketing programs; the Company's ability to attract and retain retail accounts and to further penetrate the Company's retail channel, including the timing of opening or expanding within large retail chains; launches; the effects of consolidation of retailers on revenues and costs; the Company's ability to expand brand awareness, distribution and to continuously improve and expand its product line, maintain efficient, timely and cost-effective production and delivery of its products; the impact of investments on the Company's operations; changes in foreign tax rates and changes in tax laws generally, including the ability to utilize tax credits; various pending tax audits or other tax, regulatory or litigation proceedings; changing commodity costs; and the effect of future changes in tax laws. Additional information concerning these and other risks and uncertainties are discussed in the Company's filings with the SEC, including, without limitation, the Company's 2014 Annual Report on Form 10-K filed on February 13, 2015 with the SEC, under the heading "Management's Discussion and Analysis of Financial Statements" and "Risk Factors." Any forward-looking statement speaks only as of the date on which it is made, and the Company does not intend to update or look forward to any reason, including to reflect events or circumstances after the date on which such statements are made, except for unanticipated events or circumstances.

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