Reinvigorating Leadership for Long-Term Success

April 7, 2015
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“Getting rid of mediocre CEOs...requires action by owners...acting together, [they] could effectively reform corporate governance at a given company, simply by withholding their votes for directors...”

Warren E. Buffett
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H Partners: A Long-Term Value Investor and Tempur Sealy’s Largest Shareholder Is Calling For Change

Our History with Tempur Sealy
- Largest shareholder of Tempur Sealy, with ~10% stake
- Invested in Sealy in 2011, and invested in Tempur Sealy in 2012
- Advocating vote “AGAINST” three directors whom we believe are most responsible for significant underperformance and corporate governance failures

H Partners’ Background
- Founded in 2005, manage $1.5 billion
- Our goal is to generate exceptional long-term returns
- Current portfolio average holding period of 6 years
- History of constructive engagement with portfolio companies

Concentrated Portfolio
- Only 5 to 10 investments at any one time
- Our high degree of concentration demands sharp focus and intensive diligence on each investment
- Over 20% of AUM invested in Tempur Sealy

Strong Track Record and Alignment
- Since inception, compounded at 30% vs. 8% for the S&P 500\(^1\)
- H Partners on a Board: 490% return at Six Flags after H’s Usman Nabi was appointed Executive Chairman, and then Chair of N&G\(^2\)
- Aligned with all shareholders; took no board fees at Six Flags
Tempur Sealy Has Tremendous Potential...

Best-In-Class Products

Best-In-Class Brands

- Tempur-Pedic: #1 U.S. Brand People are Most Interested in Purchasing
- Sealy: #1 U.S. Brand People are Most Likely To Buy

Best-In-Class Employees

- Over 7,000 talented and dedicated employees
- Tempur Sealy teams develop the most innovative products in the industry

Tempur-Pedic Is the Crown Jewel

- Prior to Mr. Sarvary’s arrival, Tempur segment’s business model resembled consumer branded companies like Tiffany, Tumi, etc.
- $1.5 billion in ad spend^3 over last ten years should result in pricing power and high margins

Consolidating Industry

- Following the combinations of Serta with Simmons in 2012 and Tempur-Pedic with Sealy in 2013, these two mattress sector participants command 70% market share^4
...But, Tempur Sealy Shareholders Are Suffering Through Sleepless Nights

**Stock Underperformance**
- Tempur Sealy has underperformed its self-selected peers by 140% over the last three years and 175% over the last five years
- Returns consistently rank in bottom quartile vs. Company’s self-selected peers

**Weak Financial Results & Execution Errors**
- Long-term earnings estimates have been reduced by 60% in past three years
- Execution errors in each quarter for past three years; mistakes in every functional category
- Missed earnings estimates in six out of last seven quarters since acquiring Sealy

**Poor Corporate Governance**
- No ability to call special meeting or act by written consent; supermajority vote provision
- We believe Board leaders McLane and Masto pursue personal agendas, and that the Board may have failed to disclose a Related Party Transaction

See page 75 for details on Five Sagging Foundations
Another Long-Tenured, Major Shareholder Has Publicly Supported the Changes We Are Advocating

Long-Tenured Shareholder Supports Our View

- Chieftain Capital Management, an approximate 6% shareholder and major investor in the Company since 2010, filed a 13D on February 23, 2015 in support of H Partners’ proposals

“We believe that H Partners’ views and suggestions have considerable merit. The current management team has consistently missed its quarterly, annual and long-term goals (despite repeatedly resetting these goals). They have made missteps in operations, product development and introductions, marketing, and the formulation of strategy.”

Chieftain Capital Management’s Letter to Tempur Sealy’s Board, February 19, 2015

- The stock has gained almost 20% since H Partners’ and Chieftain’s 13D filings

We Believe Other Investors Also Desire Change

- The stock has gained almost 20% since H Partners’ and Chieftain’s 13D filings

Chieftain thus supports H Partners’ call for an immediate change in the CEO and Board. We also support a role for H Partners on the Board. H Partners would add considerable value...

Chieftain Capital Management’s Letter to Tempur Sealy’s Board, February 19, 2015

H Partners’ interests are fully aligned with the interests of all Tempur Sealy shareholders; numerous concerned shareholders have called us to express support for our proposals
Stock Underperformance
Tempur Sealy has significantly underperformed the S&P 500 Index, mattress sector peers Select Comfort and Mattress Firm, and the Company’s self-selected peer group.

Periods look back from Feb. 9, 2015, the day before H Partners filed its 13D.

### Tempur Sealy Underperformance

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>TPX vs. S&amp;P 500 Index</td>
<td>(12%)</td>
<td>(93%)</td>
<td>(32%)</td>
</tr>
<tr>
<td>TPX vs. Mattress Peers (Select Comfort &amp; Mattress Firm)</td>
<td>(61%)</td>
<td>(75%)</td>
<td>(238%)</td>
</tr>
<tr>
<td>TPX vs. Company-Selected Peer Group</td>
<td>(19%)</td>
<td>(137%)</td>
<td>(175%)</td>
</tr>
</tbody>
</table>

### Company-Selected Peer Group

- Brunswick Corp.
- Carter’s, Inc.
- Columbia Sportswear Co.
- Deckers Outdoor Corp.
- Dorel Industries Inc.
- Fossil Group, Inc.
- Gildan Activewear Inc.
- Hanesbrands Inc.
- Harman Int’l Industries Inc.
- Hasbro, Inc.
- Jarden Corp.
- Leggett & Platt, Inc.
- Lexmark International, Inc.
- Mattress Firm Holding Corp.
- Herman Miller, Inc.
- Mohawk Industries, Inc.
- Newell Rubbermaid Inc.
- Polaris Industries Inc.
- Select Comfort Corp.
- Steelcase Inc.
- Tupperware Brands Corp.
- Under Armour, Inc.
- Williams-Sonoma, Inc.
- Wolverine World Wide, Inc.

“We believe the peer group closely reflects our business and, as a result, provides meaningful comparison of stock performance.”

Tempur Sealy shareholders have suffered an absolute loss of 31% over the last three years.
Board’s Cherry-Picking, Part 1: Mr. Sarvary Joined Tempur-Pedic When its Valuation Was Depressed and Earnings Were at Recession Lows

“...Since Mr. Sarvary’s appointment in 2008, Tempur Sealy has...realized a total shareholder return of more than 480%...”

Tempur Sealy Board’s Letter to Shareholders, March 16, 2015

- With a depressed multiple of 6.5x LTM P/E\(^8\) and earnings near recession lows, the value of Tempur-Pedic’s stock when Mr. Sarvary was appointed CEO was only poised to increase
- Tempur Sealy has underperformed mattress sector peer Select Comfort by 1,000% since Mr. Sarvary’s appointment

After the recession passed, the Company underperformed its self-selected peer group by 175%
The Board fails to mention that the Sealy acquisition was announced after the Company's market cap fell 54% – losing $1.9 billion in value – due to strategic missteps in 2012.

To this date, Tempur Sealy has still not recovered the $1.9 billion of value lost prior to the Sealy acquisition.
Weak Financial Results and Execution Errors
**60% Reduction in Long-Term Earnings Expectations**

- Each of the prior two Investor Days have featured a significant reduction in long-term earnings expectations

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**2016 EPS Expectations at Various Points in Time**

- **Feb. 2012 Investor Day (Company Guidance)**: $8.00
- **Sept. 2013 Investor Day (Company Guidance)**: $4.00 (60% Reduction from $8.00)
- **Feb. 2015 Investor Day (Sell-Side Consensus Est.)**: $3.47 (60% Reduction from $8.00)

**Tempur Sealy’s long-term EPS expectations have declined from $8.00 for a standalone Tempur-Pedic to $3.47 for both Tempur-Pedic and Sealy combined**
Consistently Missed Short-Term Financial Targets

- Consistent ‘misses’ indicate to us that management has poor control over the Company

### Examples of Management's "Over-Promising" and "Under-Delivering"

<table>
<thead>
<tr>
<th>Period</th>
<th>Operating Metric</th>
<th>Company Guidance or Target</th>
<th>Reported Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2012</td>
<td>Operating Margin</td>
<td>&quot;to contract modestly&quot;</td>
<td>Down 800 bps</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Gross Margin</td>
<td>&quot;up as much as 200 bps&quot;</td>
<td>Down 150 bps</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Operating Margin</td>
<td>&quot;to expand by nearly 100 bps&quot;</td>
<td>Down 600 bps</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Adjusted EPS</td>
<td>$3.80 to $3.95</td>
<td>$2.61</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>Gross Margin</td>
<td>41%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>Operating Margin</td>
<td>9.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>FY 2013</td>
<td>Adjusted EBITDA</td>
<td>$435 million</td>
<td>$411 million</td>
</tr>
<tr>
<td>FY 2013</td>
<td>Adjusted EPS</td>
<td>$2.55 for a stand-alone Tempur-Pedic</td>
<td>$2.38 for Tempur-Pedic &amp; Sealy combined</td>
</tr>
<tr>
<td>FY 2014</td>
<td>Gross Margin</td>
<td>41%</td>
<td>38.5%</td>
</tr>
<tr>
<td>FY 2014</td>
<td>Operating Margin</td>
<td>11.7% to 12.0%</td>
<td>10.7%</td>
</tr>
<tr>
<td>FY 2014</td>
<td>Adjusted EBITDA</td>
<td>$415 to $435 million</td>
<td>$405 million</td>
</tr>
<tr>
<td>FY 2014</td>
<td>Net Leverage Ratio</td>
<td>3.25x</td>
<td>3.89x</td>
</tr>
</tbody>
</table>
Analyst Estimates Continue to Fall Because of Constant Earnings Misses

“Tempur Sealy has a strong track record of meeting or exceeding analyst estimates...”
Tempur Sealy Board’s Letter To Shareholders, March 16, 2015

If the Company continues to “meet or exceed analyst estimates”, why have analyst estimates continued to fall?

Bloomberg Consensus Analyst Estimates for 2015 EBITDA

Management has missed short-term earnings estimates in six of the last seven quarters since acquiring Sealy
Current operating margins of 10.7% are 900 basis points below historical peak levels achieved by Tempur-Pedic and Sealy\textsuperscript{13}

Tempur Sealy’s collapsing margins are deeply concerning
Execution Mistakes in Every Single Quarter for the Past Three Years

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Category</th>
<th>Execution Mistakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2012</td>
<td>Strategy / Competition</td>
<td>• Failure to anticipate competition pressures margin outlook</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>Strategy / Competition</td>
<td>• Significant market share loss</td>
</tr>
<tr>
<td></td>
<td>Product Development</td>
<td>• Tempur <em>Simplicity</em> product launch was received poorly by customers</td>
</tr>
<tr>
<td>Q3 2012</td>
<td>Operations</td>
<td>• Supply constraints on new products</td>
</tr>
<tr>
<td></td>
<td>Cost Control</td>
<td>• Cost of producing new products higher than expected</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>Financial Management</td>
<td>• $375 million in bonds are mispriced, trading up from par to 105 on the date of issuance</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>Cost Control</td>
<td>• Reliance on increased promotions and discounts pressured gross margins</td>
</tr>
<tr>
<td></td>
<td>Product Development</td>
<td>• Tempur <em>Choice</em> product launch was received poorly by customers</td>
</tr>
</tbody>
</table>

**ACQUISITION OF SEALY**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Category</th>
<th>Execution Mistakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2013</td>
<td>Operations Advertising</td>
<td>• Roll-outs were slower than planned on both Tempur <em>Choice</em> and Tempur <em>Ergo Premier</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ‘You Are How You Sleep’ advertising campaign was ineffective and quickly discontinued</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>Product Promotion Manufacturing</td>
<td>• Sales weakness during July 4th weekend due to ineffective Independence Day promotional strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost overruns due to Tempur-UP adjustable base manufacturing error</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>Cost Control Product Promotion</td>
<td>• Fixed costs in Sealy segment pressured gross margins</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Significant decline in highly profitable Tempur Direct business</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>Cost Control Product Promotion</td>
<td>• Discounted floor model shipments higher than expected, resulting in cost overruns</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Softness in the Direct business and Pillows business</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>Operations Cost Control</td>
<td>• Tempur North America product roll-out took longer than expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost overruns pressured margins</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>Manufacturing Product Distribution Financial Management Manufacturing</td>
<td>• Manufacturing inefficiencies and cost overruns at Sealy due to &quot;near-record demand&quot;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• &quot;Product availability challenges&quot; on adjustable bases and increased logistics costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Additional cash costs incurred to expedite term loan amendment, due to covenant oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sealy Europe launch delayed due to manufacturing issues</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>Operations Manufacturing</td>
<td>• Sealy Europe roll-out delayed three months due to &quot;hiccup&quot; from liquidation of sole third-party supplier</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Continued &quot;innerspring manufacturing inefficiencies&quot;</td>
</tr>
</tbody>
</table>

Execution mistakes in every functional category; frequency of errors has accelerated after the acquisition of Sealy due to greater complexity.
For years prior to Mr. Sarvary’s arrival, other memory foam offerings tried to compete with Tempur-Pedic, but prior CEOs successfully blocked new entrants. In 2011, the Company failed to anticipate and address competitive threats. By 2012, competitor iComfort successfully exploited the Company’s strategic deficiencies, and other copy-cat competitors quickly followed suit.

### Competitive Landscape

<table>
<thead>
<tr>
<th>Period</th>
<th>Selected Memory Foam Mattress Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 - 2008</td>
<td>Sealy TruForm, Simmons Gemini &amp; Studio, Serta-Pedic, King Koil Deluxe</td>
</tr>
<tr>
<td>2008 - 2010</td>
<td>Comfort Series, SANG, Silent Nights, Dynasty Mattress</td>
</tr>
<tr>
<td>2010 - 2012</td>
<td>Sealy Embody, Comforpedic, I-Mattress, I-Comfort</td>
</tr>
<tr>
<td>2012 - Present</td>
<td>Sealy Optimum, Serta Perfect Elements, Comforpedic IQ, I-Comfort</td>
</tr>
</tbody>
</table>

### Competitive Commentary Before 2012

“There always [has been] competition in the industry, and there are a series of competitors, all of whom have introduced products that are comparable to ours.”

CEO Mark Sarvary, Q3 2011 Earnings Call, October 20, 2011

### Competitive Commentary After 2012

“...for much of its history, Tempur-Pedic faced few, if any, significant competitors...”

Tempur Sealy Board’s Letter to Shareholders, March 16, 2015

“...in 2012, there was a significant change in the competitive environment...”

CEO Mark Sarvary, Raymond James Conference, March 3, 2015

Management allowed Serta to introduce a disruptive product that degraded the Tempur segment’s high-margin memory foam business model.
Before Sealy Acquisition: Strategic Complacency Caused Significant Market Share Loss Due to Product Deficiencies

Poor Product Appearance

Tempur-Pedic

VS.

Serta iComfort

Perception of “Sleeping Hot”

“...I am not a fan of the Tempur-Pedic. It is like sleeping on hot sand...”
Amazon.com Consumer Review, November 2011

“The iComfort Sleep System By Serta: Introducing the new iComfort Sleep System by Serta, featuring our Cool Action Gel Memory Foam...”
Serta Press Release, November 2011

What if management and the Board had proactively addressed weaknesses like outdated appearance and perception of “sleeping hot”? Were they really just a passive victim?
Before Sealy Acquisition: Strategic Complacency Degraded the Tempur Segment’s Operating Margin

- Prior to Mr. Sarvary’s arrival in 2008, Tempur segment’s business model closely resembled that of certain consumer businesses whose high levels of advertising spend translate into pricing power and high margins.

- However, over the last six years, this business model has deteriorated – the Tempur segment now spends more on advertising than any of its branded peers, but its operating margin has fallen from 21.9% to 13.7%.

Branded Consumer Companies’ Operating Margins vs. Advertising Spend

Operating Margin (LHS) Advertising Spend as % of Revenue (RHS)
After Sealy Acquisition: Company Became Much Larger and More Complex

- Today, Tempur Sealy has nine times the manufacturing facilities and six times the employees that it had when the current CEO joined the Company.
- The Board is aware of this increased complexity, yet it fails to find a proper solution for the managerial challenge.

<table>
<thead>
<tr>
<th>2008</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>$928 million</td>
<td>$3.0 billion</td>
</tr>
<tr>
<td>3</td>
<td>28</td>
</tr>
<tr>
<td>1,200</td>
<td>7,100</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Tempur Sealy is more operationally complex today than the old Tempur-Pedic, yet we believe the Board has not adequately enhanced the leadership to address the greater managerial challenge.
After Sealy Acquisition: Failure to Properly Integrate Sealy and Realize Synergies

Since acquiring Sealy, adjusted EBITDA has declined by $20 million
Operating margins have dropped by 200 bps since Sealy acquisition

Executive Errors

"...there are and will be meaningful synergies that will become more evident as the combined Company pursues its strategy.”
Sealy Acquisition Conference Call, September 27, 2012

Combined Tempur Sealy’s Historical Earnings and Margin Trajectory

The Board has spent $56 million in integration costs, yet no synergies are evident in the Company’s reported earnings[^17]
The Board Does Not Appear to Understand That the Most Critical Financial Metric – Profitability – Is Deteriorating

“In 2014, strong performance from our senior management team resulted in year-over-year improvements in important financial measures…”

Tempur Sealy Board’s Proxy Statement, March 16, 2015

○ In 2014, net sales increased by 21% while Adjusted EBITDA declined by 2% compared to the prior year period

<table>
<thead>
<tr>
<th>Results</th>
<th>2014</th>
<th>2013</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales ($m)</td>
<td>2,990</td>
<td>2,464</td>
<td>526</td>
<td>21%</td>
</tr>
<tr>
<td>Adjusted EBITDA ($m)</td>
<td>405</td>
<td>411</td>
<td>(7)</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

We are baffled that the Board does not seem to understand the concept that operating earnings, not sales, drive shareholder value creation.
### Board Denies Stock Underperformance, Execution Mistakes, Earnings Misses and Lack of Synergies

<table>
<thead>
<tr>
<th>Stock Underperformance</th>
<th>“...Since Mr. Sarvary’s appointment in 2008, Tempur Sealy has...realized a total shareholder return of more than 480%...” Tempur Sealy Board’s Letter to Shareholders, March 16, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execution Mistakes</td>
<td>“And I think we’ve done a lot – a great job in raising our game in terms of execution...” CEO Mark Sarvary, 2015 Investor Day, February 18, 2015</td>
</tr>
<tr>
<td>Earnings Misses</td>
<td>“Tempur Sealy has a strong track record of meeting or exceeding analyst estimates...” Tempur Sealy Board’s Letter to Shareholders, March 16, 2015</td>
</tr>
<tr>
<td>Lack of Synergies</td>
<td>“...the organizational integration [of Sealy] is essentially complete now. The cost synergies were realized and in fact are greater than we initially anticipated.” CEO Mark Sarvary, BAML Consumer &amp; Retail Conference, March 4, 2015</td>
</tr>
</tbody>
</table>

- **Board is cherry-picking from recession lows** – stock has underperformed peers by 140% and 175% over last three and five years, respectively.
- **Execution mistakes in each quarter for past three years**
- **Missed analyst estimates in six of last seven quarters**
- **No synergies are visible, as Company’s EBITDA has declined by $20 million since the time of the acquisition**
H Partners Has Been a Patient Investor Since 2012

Hopeful in 2012
- Initially supportive of CEO Sarvary and hopeful he could reverse the poor performance seen in 2012

Concerned in 2014
- Execution mistakes led Mr. Sarvary to reduce long-term EPS guidance by 50%
- Raised question of whether Board would be interested in appointing a shareholder representative to the board, but dismissed – no formal interview, and no response from Masto-led Nom. & Gov. Committee

More Concerned in 2014
- More execution mistakes, as TPX grew larger and more complex
- Wrote letter to Comp. Committee suggesting framework for an incentive plan to align organization in order to overcome complex challenges
- No response from Compensation Committee

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
- Demanded termination of CEO, resignation of Messrs. Masto, McLane, Judge and Sarvary from the Board, and a single board seat, but dismissed

The Board has repeatedly refused H Partners’ attempts to engage collaboratively to increase shareholder value
The Latest Red Flags
Hiding Behind FX Excuses: Peers With Higher Foreign Currency Exposure Are Outperforming TPX

“And [as] you are going to hear throughout this presentation today, currency is an issue. It was an issue for us last year, and it’s going to be a bigger issue for us this year.”


The Company’s self-selected peer group outperformed Tempur Sealy by 20%, 140% and 175% over the last one, three and five-year periods, respectively, despite having higher avg. international exposure.
The Board may attempt to hit EPS targets via financial engineering, as opposed to organic earnings growth.
The Board May Be Attempting to Conceal Sealy’s Margin Deterioration by Reducing Segment-Level Transparency

- In 2015, the Company redefined its reporting segments amidst significant shareholder concern around Sealy’s deteriorating operating margins.
- The Board claims redefinition is required following “completion” of Sealy integration - but how can integration be complete if the Company continues to report results that are adjusted for integration expenses?

Tempur Sealy’s Old vs. New Reporting Segments

- Sealy: 51%
- Tempur International: 16%
- Tempur North America: 33%
- International: 20%
- North America: 80%

The Board May Be Attempting to Conceal Sealy’s Margin Deterioration by Reducing Segment-Level Transparency
Poor Corporate Governance:  
A Stale and Misaligned Board
6 out of 11 directors have been on the Board for more than ten years

These 6 directors have each collected an average of $1.4 million in fees

No fresh perspective: only one director added since Sealy acquisition

“Firm value reaches a maximum at a board tenure of nine years.” – Zombie Boards: Board Tenure and Firm Performance, Harvard Law School Forum on Corporate Governance
Shareholders owning 99% of the voting stock have zero board representation, while directors with 1% of the voting stock are dictating the agenda. 

“Directors who are substantial equity holders tend to be better monitors because their interest is more proprietary.”
– Charles Elson, Corporate Governance Expert
We believe a current owner’s perspective on Tempur Sealy’s Board is long overdue.

○ TA Associates’ McLane and Friedman Fleischer’s Masto initially joined the Board when their firms had majority ownership

○ TA and FF have had no stake for many years but retain Board representation

○ TA has effectively controlled Chairmanship for past 12 years despite no stake

○ FF has effectively controlled Chairmanship of Nominating and Corporate Governance Committee since 2010 despite no stake
P. Andrews McLane of TA Associates Appears to Pursue a Personal Agenda: Related Party Transaction?

- One year after TA Associates exited its investment, Tempur-Pedic began sponsoring the U.S. Ski & Snowboard Association.
- Mr. McLane has served as a director of the USSA Board of Trustees, and has been a significant benefactor of the USSA for many years.
- We question whether Tempur Sealy’s sponsorship of the USSA is a good use of the Company’s marketing resources, and whether the sponsorship is intended to benefit shareholders or Mr. McLane.

Following an inquiry by H Partners, the Company recently reported a previously undisclosed $325,000 payment to the USSA in 2014, which exceeds the $100,000 threshold for Related Party Transactions; the size of this transaction is irrelevant – rather, we believe it is indicative of a culture that promotes poor corporate governance practices.
Poor Corporate Governance

“...strong record of working to align management compensation with performance...”
Tempur Sealy Investor Presentation, April 6, 2015

Board Has Doubled CEO’s Compensation While the Company’s Underperformance Has Widened

○ Over the last three years, the CEO’s annual compensation has increased from $3.4 million to $6.9 million, as the stock underperformed by almost 140%

In the past three years, the Board has paid the CEO $18 million to oversee a 31% absolute stock price decline, or a $1.6 billion loss in equity value
Our Solution:
Fixing Five Enduring Foundations
First Foundation: Recruit a Proven CEO with Strong Operational Skills

- We believe that the Board must match a CEO to the current requirements of a larger, more complex Tempur Sealy.

- A candidate should have most or all of the skills below:

<table>
<thead>
<tr>
<th>Relevant Skill</th>
<th>√ / X</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent Record of Outperformance</td>
<td>✓</td>
<td>A strong prior track record is the most accurate indicator of future success</td>
</tr>
<tr>
<td>Public Company CEO Experience</td>
<td>✓</td>
<td>CEO should have experience with public shareholders</td>
</tr>
<tr>
<td>Operationally-Intensive Skills</td>
<td>✓</td>
<td>Manufacturing is one of the two main functional areas at Tempur Sealy</td>
</tr>
<tr>
<td>Financial Skills</td>
<td>✓</td>
<td>A prerequisite, given the Company’s deteriorating financials</td>
</tr>
<tr>
<td>Integration Skills</td>
<td>✓</td>
<td>We believe the integration of Sealy has been improperly handled, and is hurting other parts of the business</td>
</tr>
<tr>
<td>Marketing Skills</td>
<td>✓</td>
<td>Marketing is one of the two main functional areas at Tempur Sealy</td>
</tr>
<tr>
<td>Communication Skills</td>
<td>✓</td>
<td>Strong communication builds credibility and strengthens relationships with stakeholders</td>
</tr>
</tbody>
</table>
First Foundation: CEO Succession Should Be Orderly and Collaborative

- All Boards have a duty to plan for a scenario in which a CEO leaves, is removed, or faces untimely illness or death
- If our campaign is successful, there would be three open Board seats following the Board’s acceptance of the resignations of directors Masto, McLane and Sarvary
- One of the Company’s senior managers could immediately step in as interim CEO
- We would request and expect any newly-constituted Board to appoint Mr. Nabi as Chair of the CEO Search Committee and to the Compensation Committee, and for two independent directors join Mr. Nabi on the CEO Search Committee
- H Partners is currently in communication with proven CEO candidates with strong operational track records – these candidates believe that significant value creation is possible at Tempur Sealy if they were at the helm

H Partners’ Role in Orderly Succession at Six Flags

- In 2010, Mr. Nabi collaborated with seven independent Six Flags directors and shareholders to recruit a proven, operationally-skilled CEO
- Operating margins increased from a pre-recession average of 13% between 2005 and 2007 to 31% today, the highest in the Company’s 50-year history
- Stock has returned 490% – continues to outperform well after the recession
- H Partners worked for all shareholders; received zero board fees
- “H Partners & Six Flags” is taught as case study at Harvard Business School
New leadership should develop a clear and appropriate organizational structure given the current needs of Tempur Sealy.

The Head of Operations role has been vacant since January 2013. The new Board should determine if this role should be filled to provide additional support to the COO, given the increased operational complexity.

### Second Foundation: Review Organizational Structure and Fill Vacant Operations Role

- **Chief Executive Officer**:
  - 2008: Present
  - 2009: Present
  - 2010: Present
  - 2011: Present
  - 2012: Present
  - 2013: Present
  - 2014: Present

- **Chief Operating Officer**: Discontinued in 2013

- **Head of Operations**: Hire in 2014

- **Chief Marketing Officer**:
  - 2008: Present
  - 2009: Present
  - 2010: Present
  - 2011: Present
  - 2012: Present
  - 2013: Present
  - 2014: Present
The Board and the senior management team should develop a more focused strategic plan to emphasize absolute profitability and profitable growth.

Third Foundation: Sharpen Strategy by Prioritizing Profitability and Re-assess Low Value Projects to Enable Better Execution

- The Board and the senior management team should develop a more focused strategic plan to emphasize absolute profitability and profitable growth.
Introduce an aspirational plan to significantly improve operating earnings

Align Company around an “absolute EBITDA” target – a clear, singular performance metric

“Absolute EBITDA” target rewards both margin enhancement, as well as sales growth

Consider meaningful share grant to employees if aspirational EBITDA target achieved by 2017 and sustained in 2018
Fifth Foundation: Emphasize Clear, Repeated and Credible Communication with Key Stakeholders

- **Employees:** Senior management should conduct “town halls” at all facilities to (i) communicate a focused strategy, (ii) rationale and building blocks for “absolute EBITDA” target and (iii) field questions and solicit feedback.

- **Retail Partners:** Senior management, including CEO, should consistently communicate Company’s product strength and selling strategy to all retail partners.

- **Shareholders and Creditors:** Immediately after determining a more focused strategy, the new CEO and management should communicate a credible long-term plan.
We Believe Tempur Sealy Can Generate Great Returns If a Reconstituted Board Fixes the “Five Flawed Foundations”

**A Capable CEO**
- Replace underperforming CEO with a proven leader with an operationally-intensive background

**Appropriate Org Structure**
- Immediately review if execution mistakes are occurring due to gaps in operations team, and fill vacant roles

**A Focused Strategy**
- Narrow strategic focus to emphasize profitability vs. unprofitable sales growth
- Prioritize high-value projects

**Alignment with Stretch Goals**
- Re-align employees to deliver substantially higher margins
- Reduce number of compensation metrics

**Clear Communication**
- Communicate clearly and repeatedly with all employees, retail partners and shareholders
- Set credible earnings goals

Best-in-Class Financial Results
Sound Governance
Strong Stock Performance

We Believe Tempur Sealy Can Generate Great Returns If a Reconstituted Board Fixes the “Five Flawed Foundations”
Vote Now to Protect Your Investment
We Believe Directors Masto, McLane and Sarvary Must Be Replaced Because, Under Their Leadership, a Misaligned Board Is Failing Shareholders

<table>
<thead>
<tr>
<th>Failure to Hold Management Accountable</th>
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</thead>
<tbody>
<tr>
<td>Board actively denies stock underperformance, earnings misses, execution mistakes and lack of synergies</td>
</tr>
<tr>
<td>Board fails to understand that current CEO appears to be ill-suited to larger, more complex company</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stale, Decade-Long Directorships</th>
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<tbody>
<tr>
<td>6 out of 11 directors have been on the board for over 10 years</td>
</tr>
<tr>
<td>P. Andrews McLane has been Chairman for 12 years</td>
</tr>
<tr>
<td>Christopher Masto has been director for 12 years, and Chair of Nominating &amp; Governance Committee for 5 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No Skin in The Game</th>
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<tbody>
<tr>
<td>Former PE owners sold out years ago, yet remain on the Board</td>
</tr>
<tr>
<td>No 5%+ shareholder on Board since 2009</td>
</tr>
<tr>
<td>Board owns only 1% voting stake in Tempur Sealy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poor Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>No ability to call special meeting or act by written consent; supermajority vote provision</td>
</tr>
<tr>
<td>We believe Messrs. McLane and Masto benefit from personal / employer trading of TPX stock, and the Board may have failed to disclose a Related Party Transaction involving Mr. McLane</td>
</tr>
</tbody>
</table>

**After 12 years, we believe the Board leaders have become complacent and refuse to address the concerns of current owners – now is the time for change**
Vote “AGAINST” Masto, McLane and Sarvary: A Referendum on the Need for New Leadership and Shareholders’ Demand for Board Representation

Referendum Serves Three Purposes

- Seeks to compel resignation of CEO Sarvary as director for destroying shareholder value
- Seeks to compel resignation of two Board chairs who we believe have failed to hold management accountable and whose interests do not appear aligned with shareholders
- Directs Board to voluntarily add H Partners’ Usman Nabi and an H Partners-nominated director to the Board immediately

Vote “AGAINST” Compels Resignation

- If majority of votes cast are “AGAINST” a director, then he/she must immediately submit his/her resignation to the Board
- We believe Board’s failure to accept resignations would violate proper governance and oppose a clear shareholder directive
- Significant consequences for entire Board at next annual meeting if shareholder referendum is ignored

Greatest Risk to Value Is Inaction

- We believe H Partners’ proposed changes can help deliver significant value
- We believe shareholders will suffer continued underperformance with current leadership, who we believe is incapable of executing any strategy
- Company has bench of talented managers, one of whom could step in as interim CEO until permanent CEO is hired
To Fix Tempur Sealy, Vote “AGAINST” Masto, McLane and Sarvary on the BLUE Proxy Card Today

How To Vote:
○ **Vote by Phone:** Please call the telephone number specified on your **BLUE** proxy card from a touchtone phone and follow the simple instructions
○ **Vote by Internet:** Please access the website specified on your **BLUE** proxy card and follow the simple instructions
○ **Vote by Mail:** If you do not wish to vote by telephone or over the internet, please simply complete, sign, date and return the **BLUE** proxy card in the postage-paid envelope provided

If you have any questions or require assistance in voting your **BLUE** proxy card, please contact H Partners’ proxy solicitor:

Scott Winter / Jonathan Salzberger, 888-750-5834
Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10012

Thank you for your support: visit FixTempurSealy.com
Further Analysis
CEO Mark Sarvary’s Prior Track Record of Underperformance
Mr. Sarvary’s One Prior Appointment as CEO Ended in Termination After J. Crew Underperformed Peers

- Mr. Sarvary was dismissed in 2002 after three years as CEO of J. Crew\(^{29}\)
- Under Mr. Sarvary’s supervision, J. Crew’s operating income declined by 48% and its operating margin was nearly cut in half\(^{30}\)
- J. Crew’s underperformance compares to a 54% and 67% increase in operating income at Abercrombie & Fitch and American Eagle, respectively\(^{31}\)

![Bar chart showing J. Crew's operating income and margin changes under Sarvary's tenure.](chart.png)
Mr. Sarvary’s Role at Campbell Soup Ended in Termination After His Division Underperformed Peers

"During his tenure as president, the North America division [of Campbell Soup] grew sales and earnings each year.”
Tempur Sealy Board’s Letter to Shareholders, March 16, 2015

The board fails to mention that under Mr. Sarvary, Campbell Soup North America significantly underperformed peers, and Mr. Sarvary was subsequently terminated.

Did the Board fail to plan for succession when it hired Mr. Sarvary? Was it aware that he was terminated at J. Crew and Campbell Soup? Or did it simply ignore his poor prior track record?
Board Leaders’ Personal Agendas
We Believe TA Associates’ Mr. McLane Has Overstayed His Welcome

- TA directors typically step off boards within two years of TA’s exit
- Yet, Mr. McLane has remained Chairman for six years following TA’s exit from Tempur-Pedic

Number of Months on Public Company Board Following Exit by TA Associates

- P. Andrews McLane - Tempur Sealy: 74 months
- Jonathan W. Meeks - GlobeOp Fin. Svcs.: 17 months
- Michael A.R. Wilson - Cardtronics: 19 months
- A. Bruce Johnston - Monotype Imaging: 3 months
- Michael C. Child - Eagle Test Systems: -- months
- Todd R. Crockett - Clayton Holdings: -- months
- C. Kevin Landry - MetroPCS: -- months
- Richard D. Tadler - Lumber Liquidators: -- months
- Kurt R. Jaggers - PROS Holdings: 3 months
- Michael A.R. Wilson - Jupiter Fund Mgmt.: 3 months

“I’d hate to stick around and have all of the partners sitting in a conference room one day, waiting to have a ‘discussion’ with me.”
- C. Kevin Landry, Former Chairman of TA Associates
When It Comes to Its Own Investments, TA Associates Understands the Importance of Board Representation

- On average, TA Associates takes two board seats when it invests
- Even in its minority investments, TA appears to insist on Board representation

We could find no recent examples of a TA investment in which TA did not receive Board representation
We Believe Friedman Fleischer’s Mr. Masto Has Overstayed His Welcome

- FF directors typically step off boards within two years of FF’s exit
- Yet, Mr. Masto has remained on the board for nine years following FF’s initial exit from Tempur-Pedic

Number of Months on Public Company Board Following Exit by Friedman Fleischer

- Spencer Fleischer - BearingPoint: --
- Spencer Fleischer - Korn/Ferry International: --
- Tully Friedman - Tempur-Pedic: 3
- Tully Friedman - CapitalSource: 19
- David Lowe - Korn/Ferry International: 20
- Christopher Masto - Tempur-Pedic: 110
“We are not passive investors: we seek board influence (but do not need board control) at companies in which we invest.” – Friedman Fleischer
In 2012, while Tempur Sealy public shareholders suffered a $1.5 billion – or 40% loss – in equity value, Mr. McLane personally earned a $725,000 gain due to what appears to be his opportunistic trading of Tempur-Pedic stock.

We are deeply troubled by the timing of Mr. McLane’s investment – a mere six weeks later, Tempur-Pedic re-engaged in discussions to acquire Sealy at a bargain price.
Christopher Masto of Friedman Fleischer Appears to Pursue a Personal Agenda: Trading the Stock

- In 2006, Friedman Fleischer exited its initial investment in Tempur-Pedic
- In 2008, with knowledge that Tempur-Pedic would issue a material profit warning, Friedman Fleischer re-purchased the stock following a 38% decline
- The firm ultimately earned an estimated $100 million profit

We are deeply troubled that Mr. Masto’s private equity firm learned of an imminent profit warning one week after the Company failed to reduce guidance in a public forum.
Given his firm’s involvement in this criminal matter, we are troubled that Mr. Masto was subsequently appointed Chair of the Nominating and Corporate Governance Committee, which sets insider trading policy.
Contrasting Outcomes:
Six Flags’ Outperformance vs.
Tempur Sealy’s Underperformance
Six Flags in 2010: A Worst-In-Class, Persistent Underperformer

Historically, Six Flags significantly underperformed peers in terms of stock performance, financial results and execution.

- Its pre-recession operating margin between 2005 and 2007 was only 13%.
- The poor operating performance culminated in a restructuring during the recession.

In 2010, new shareholders reconstituted the Board.

- Added two large owners to the Board, as well as several other individuals with turnaround and industry experience.

Shareholders asked the new Board to nominate H Partners’ Usman Nabi to the Executive Chairman position, given H Partners’ significant skin in the game as the Company’s largest shareholder.
The New Board Believed That Six Flags Was a Good Business

**High Barriers to Entry**
- Significant investment required to build competing parks
- Regional dominance; does not compete with Disney, Universal

**Great Brand**
- Six Flags is the most recognized regional theme park brand
- A 50 year old iconic American company
- Franchise partner of choice for international regional theme park developers

**Steady Growth**
- Demand for theme parks had grown with GDP
- More resilient than destination parks in recessions due to lower pricing and lower travel costs

**Significant Cash Generation**
- Other well-managed theme parks generated large amounts of cash, allowing for high dividend payments to shareholders
The New Board Considered Five Critical Layers Required for a Solid Foundation

- What key steps should the Board take, and in which order?
- What are the needs of this operationally-intensive business?
The Six Flags Board Recruited a Capable CEO with Relevant Skills to Run Six Flags

- The Board recognized that Six Flags was an operationally-intensive business:
  - 18 facilities in the U.S., Canada and Mexico
  - 26 million attendees per year
  - 39,000 employees

- Therefore, the Board recruited a capable and proven leader with relevant skills – Jim Reid-Anderson

<table>
<thead>
<tr>
<th>Relevant Skill</th>
<th>✓ / X</th>
<th>Comment</th>
</tr>
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<tbody>
<tr>
<td>Consistent Record of Outperformance</td>
<td></td>
<td>800% return over five years at Dade Behring</td>
</tr>
<tr>
<td>Public Company CEO Experience</td>
<td>✓</td>
<td>Prior Chairman and CEO of Dade Behring</td>
</tr>
<tr>
<td>Operational Skills</td>
<td>✓</td>
<td>Dade had 6,400 employees and 16 facilities; Mr. Reid-Anderson was a former COO</td>
</tr>
<tr>
<td>Financial Skills</td>
<td>✓</td>
<td>Served as CFO of Dade</td>
</tr>
<tr>
<td>Marketing Skills</td>
<td>✓</td>
<td>Initial roles at Pepsi Co.</td>
</tr>
<tr>
<td>International Development</td>
<td>✓</td>
<td>Worked in many foreign countries, familiar with varying business conditions</td>
</tr>
</tbody>
</table>
The Six Flags Board Quickly Established an Appropriate Organizational Structure

- Within 45 days of the new CEO joining, the Six Flags Board established a clear organizational structure, filling all critical positions.
- The new CEO and Board recognized that Six Flags required a dedicated head of marketing, and depth in the operations team.
- Marketing and operations reported separately to the CEO.
Previous management aspired to be a “mini Disney”: both theme parks and media assets

The new Board and management team sharpened the focus
- Six Flags now aspired to become the highest quality regional theme park company in the world
- Emphasized profitability and high margins
- Focused on returning to high margins in North America before considering international expansion

Exited tangential activities
- Prior management had attempted to “leverage” the brand in unrelated areas, e.g. Six Flags-branded hair salons
- Six Flags exited Dick Clark Productions, a media company
The prior Board had set mediocre targets based on many different financial and operating metrics.

When new management arrived, Six Flags was generating approximately $200 million in EBITDA.

The new Board established an aspirational goal of achieving $350 million in EBITDA within two years. Peer benchmarking indicated that margins were well below potential, and higher margins coupled with modest sales growth would result in a 75% increase in EBITDA.

If employees hit this goal, they would receive over 2 million shares (worth almost $100 million based on today's stock price).

While employees were rewarded via cash bonuses and stock options, the biggest incentive was equity for achieving higher cash flow – the entire employee base understood this clear goal.
Six Flags Communicated Clearly with All Key Stakeholders

- **Employees:** The CEO and senior management constantly visit the facilities to reinforce key messages to employees, and to gather feedback on how to improve operations and execution.

- **Shareholders:** Investor communications are clear and highly credible.
  - The company has attracted a stable, long-term oriented shareholder base by emphasizing stretch medium and long-term targets which, if achieved, create significant value for shareholders.

- **Credibility:** The company has not missed any aspirational targets under the current Board and management.
Strong and Enduring Foundations Were Established In Four Months

- H Partners’ Usman Nabi was appointed Chairman on May 1, 2010
- One year later, Six Flags’ stock had already gained 99% vs. 18% for the S&P

May 1, 2010
New Board established, H Partners’ Usman Nabi appointed Chairman

May 11, 2010
Interim CEO appointed; Usman Nabi becomes Executive Chairman

May 12, 2010
CEO Search Committee established, co-Chaired by Usman Nabi, including two independent directors

Jun. 15, 2010
Within one month, CEO Search Committee contacts large shareholders to solicit feedback

Aug. 12, 2010
“Project 350” aspirational earnings target unveiled

Aug. 12, 2010
Jim Reid-Anderson appointed Chairman and CEO; Usman Nabi steps down as Executive Chairman, remains as director

Aug. 16, 2010
Six Flags reports 68% EBITDA growth

Sept. 15, 2010
New focused strategy and org structure established
Because of Sound Corporate Governance and Five Solid Foundations Established in 2010, Six Flags Shareholders Have Slept Well For Years

Stock Outperformance
- 490% return since H Partners’ involvement
- Stock has been strong well after the recession, with outperformance of 90% vs. S&P in last three years\(^{42}\)

Best-In-Class Financial Results and Execution
- Operating margins expanded from pre-recession avg. of 13% between 2005 – 2007 to 31% today, the highest in its 50-year history
- Six Flags’ operating margins are higher than Disney Theme Parks, Universal and Cedar Fair
- EBITDA has increased for five straight years, and in 17 out of the last 19 quarters
- Has hit every aspirational target it has set

Sound Corporate Governance
- Largest shareholder on Board
- Average board tenure of less than five years
- Shareholders have ability to call a special meeting
So, Why Can’t Tempur Sealy Shareholders Sleep at Night?

**Stock Underperformance**
- Tempur Sealy has underperformed its self-selected peers by 140% over the last three years and 175% over the last five years.
- Returns consistently rank in bottom quartile vs. Company’s self-selected peers.

**Weak Financial Results & Execution Errors**
- Long-term earnings estimates have been reduced by 60% in past three years.
- Execution errors in each quarter for past three years; mistakes in every functional category.
- Missed earnings estimates in six out of last seven quarters since acquiring Sealy.

**Poor Corporate Governance**
- No ability to call special meeting or act by written consent; supermajority vote provision.
- We believe Board leaders McLane and Masto pursue personal agendas, and that the Board may have failed to disclose a Related Party Transaction.
We Believe the CEO Lacks Relevant Skills and Has a Poor Prior Track Record

- CEO Sarvary was already struggling in 2011–2012, and in 2013, Tempur Sealy became a significantly more operationally-intensive company following the acquisition of Sealy.

- We believe the Board should have foreseen Mr. Sarvary’s struggles due to his poor prior track record and lack of relevant skills:

<table>
<thead>
<tr>
<th>Relevant Skill</th>
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</tr>
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<tbody>
<tr>
<td>Consistent Record of Outperformance</td>
<td>✗</td>
<td>Significant underperformance in each of last two roles; termination in each case</td>
</tr>
<tr>
<td>Public Company CEO Experience</td>
<td>✗</td>
<td>Prior to Tempur Sealy, divisional and private company roles only</td>
</tr>
<tr>
<td>Operationally-Intensive Skills</td>
<td>✗</td>
<td>No record of head of operations or manufacturing</td>
</tr>
<tr>
<td>Financial Skills</td>
<td>✗</td>
<td>No prior record of senior financial roles</td>
</tr>
<tr>
<td>Integration Skills</td>
<td>✗</td>
<td>No record of successfully combining two large businesses</td>
</tr>
<tr>
<td>Marketing Skills</td>
<td>✓</td>
<td>Sales and marketing at IBM</td>
</tr>
<tr>
<td>Communication Skills</td>
<td>✗</td>
<td>Poor communication at Tempur Sealy; no record of public communication in prior roles</td>
</tr>
</tbody>
</table>
Tempur Sealy has two main functional areas: manufacturing and marketing.

Mr. Sarvary joined in 2008, but waited until 2014 to hire a Chief Marketing Officer.

Before CMO was hired, Chief Operating Officer was tasked with responsibility over both operations and marketing.

“The executives who ignited the transformations from ‘good to great’...first got the right people on the bus, and then figured out where to drive it.” – Jim Collins, ‘Good to Great’
We Believe Tempur Sealy Has an Unfocused Strategy

- In theory, all of these are sound objectives, but...

Clear Strategic Priorities

- Leverage and Strengthen Our Comprehensive Portfolio Of Iconic Brands & Products
- Expand Distribution And Seek Highest Dealer Advocacy
- Expand Margins With Focus On Driving Significant Cost Improvement
- Leverage Global Scale For Competitive Advantage
- Accretive Acquisitions Of Licensees And Joint Ventures
An Unfocused Strategy: Too Many Projects That Are Tangential to the Core Mattress Business

“Focus means...saying ‘no’ to the hundred other good ideas that there are. You have to pick carefully.” – Steve Jobs
A study of activities from 2011 - 2015 shows that the Board was focused on tangential activities while competitors successfully exploited product weaknesses and margins collapsed.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 2011</td>
<td>Tempur announces collaboration with IMAX 3D to provide theater seats with Tempur material</td>
<td>While Tempur employees were distracted with theater seats, in 2012, Tempur stock fell 40% as i-Comfort successfully erodes Tempur’s high-end market share</td>
</tr>
<tr>
<td>Jan. 2012</td>
<td>Tempur introduces low-end bed at &quot;surprisingly affordable&quot; price</td>
<td>While Tempur devoted resources to developing a low-end bed that would later be discontinued, i-Comfort continued to exploit Tempur’s weaknesses</td>
</tr>
<tr>
<td>Aug. 2012</td>
<td>Tempur opens first retail store in Boston</td>
<td>While Tempur is opening its own stores, retail partners are shifting their business to i-Comfort, Comforpedic, and Optimum</td>
</tr>
<tr>
<td>Jan. 2013</td>
<td>Tempur announces &quot;Choice&quot; mattress to compete with SleepNumber</td>
<td>This mattress would later fail to gain traction at retail; Tempur has still not fixed issues with its core mattress line, yet is attempting to compete with Sleep Number</td>
</tr>
<tr>
<td>Sept. 2013</td>
<td>Tempur launches new premium dog bed collection</td>
<td>The dog beds are launched in the middle of the Sealy integration</td>
</tr>
<tr>
<td>Mar. 2015</td>
<td>Tempur launches a &quot;home collection&quot; including slip covers, headboards, luxury blankets, and throws</td>
<td>Tempur continues to “leverage” its brand into new areas; in the previous month, the Company reported 2014 margins at only 10.7%</td>
</tr>
</tbody>
</table>
Just Last Month, the Board Added Yet Another Tangential Product Line While Margins Are Plummeting

“Tempur-Pedic Introduces First-Ever Home Collection”

“The new Tempur-Pedic Home Collection by Andrew Morgan, featuring slip covers created for the brand’s custom foundations and headboards, luxury blankets, decorative pillows and plush throws.” – March 12, 2015
We Believe the Board Aligns Employees With Too Many Metrics and Targets That Are Not Stretch Goals

○ After reducing long-term earnings expectations in each of the last two analyst days, the Board recently unveiled these four new annual “evergreen” targets:

- SALES GROWTH: 6%
- OPERATING MARGIN IMPROVEMENT: 50bps
- DELEVERAGING TO 3X AND RETURN VALUE TO SHAREHOLDERS
- ADJUSTED EPS GROWTH: 15%

○ “Growth” targets are built off of baseline earnings that have been cut by more than 60% over the last three years – these do not appear to be aspirational, stretch goals
In 2012, the Board and CEO unveiled a long-term EPS target of $8.00 for a standalone Tempur-Pedic.

Current targets for a combined Tempur-Pedic and Sealy are still almost half of Tempur-Pedic alone in 2012.

```
Fourth Foundation: Unclear Alignment

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 EPS</td>
<td>$8.00 +</td>
<td>$4.00</td>
<td>$3.34</td>
<td>$3.84</td>
<td>$4.41</td>
<td></td>
</tr>
<tr>
<td>2017 EPS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 EPS</td>
<td></td>
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</tbody>
</table>
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It appears that the Board and CEO have given up on aspirational targets.
**Striving to Recover Only One-Third of Lost Margins vs. Historical Peak**

- Historical peak margin was 19.4% versus 10.7% today – 900 basis points of margin have been lost.
- The Board and CEO now aspire to take four years to achieve a 13.7% operating margin.

### Significant Margin Improvement Opportunities

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2014 Objective</th>
<th>2015-2018 Objective</th>
<th>Annual Incremental Operating Income&lt;br&gt;$ (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sealy US Gross Margin Improvement²</td>
<td>30%</td>
<td>33%</td>
<td>$45 million</td>
</tr>
<tr>
<td>Adjusted Operating Expense Leverage³</td>
<td>29%</td>
<td>28%</td>
<td>$30 million</td>
</tr>
<tr>
<td>Cost Synergies⁴</td>
<td>$45 million</td>
<td>$70 million</td>
<td>$25 million</td>
</tr>
<tr>
<td>2015 Pricing</td>
<td>–</td>
<td>$25 million</td>
<td>$125 million</td>
</tr>
</tbody>
</table>

**STRIVING TO RECOVER ONLY 1/3RD OF LOST MARGINS VS. HISTORICAL PEAK**

- Aspires to regain only 1/3rd of lost margins.

---

**Tempur Sealy Investor Presentation, February 18, 2015**
The Board Aspires to Get Sealy Margins to a Level Below Where They Were When Sealy Was Acquired

- The Board is setting an extremely low bar at Sealy – this does not appear to be a stretch goal⁴⁴

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2014</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sealy US Gross Margin Improvement²</td>
<td>30%</td>
<td>33%</td>
</tr>
</tbody>
</table>

“We have targets that are stretch targets, that really put pressure on people to grow...we are trying to do something that is best in class.”
– Carlos Brito, CEO of ABInBev
How Can We Expect More Synergies When We Can’t See the Initial Synergies?

- The Board aspires to get to $70 million in synergies
- But where are the “realized” $45 million of synergies?

**Tempur Sealy Investor Presentation, February 18, 2015**

**Tempur-Pedic Acquires Sealy**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2014</th>
<th>2015-2018 Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Synergies</td>
<td>$45 million</td>
<td>$70 million</td>
</tr>
</tbody>
</table>

Board claims $45 million of synergies baked into earnings

**LTM Adjusted EBITDA (LHS)**

- Q1 2013: $425 million
- Q2 2013: $413 million
- Q3 2013: $414 million
- Q4 2013: $411 million
- Q1 2014: $395 million
- Q2 2014: $389 million
- Q3 2014: $393 million
- Q4 2014: $405 million

**LTM Operating Margin (RHS)**

- Q1 2013: 8%
- Q2 2013: 10%
- Q3 2013: 12%
- Q4 2013: 14%
- Q1 2014: 12%
- Q2 2014: 10%
- Q3 2014: 8%
- Q4 2014: 6%
Proxy filing shows an average of 11 different metrics for the past three years

<table>
<thead>
<tr>
<th>2013 Proxy</th>
<th>2014 Proxy</th>
<th>2015 Proxy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compensation Metrics Mentioned</strong></td>
<td><strong>Compensation Metrics Mentioned</strong></td>
<td><strong>Compensation Metrics Mentioned</strong></td>
</tr>
<tr>
<td>Sales</td>
<td>Net Sales</td>
<td>Company Net Sales</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>EBIT Margin</td>
<td>Company Adjusted Free Cash Flow</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>Adjusted EBIT</td>
<td>Net Debt to Consolidated Adjusted EBITDA</td>
</tr>
<tr>
<td>EBIT</td>
<td>Net Debt to Consolidated Adjusted EBITDA</td>
<td>Adjusted EBIT</td>
</tr>
<tr>
<td>Corporate EPS</td>
<td>Company Adjusted EBITDA</td>
<td>Divisional Performance</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>Divisional Performance</td>
<td>Individual Performance</td>
</tr>
<tr>
<td>Segment Performance</td>
<td>Individual Performance</td>
<td>Tempur North America Net Sales</td>
</tr>
<tr>
<td>Individual Performance</td>
<td>Tempur North America Adjusted EBIT</td>
<td>Tempur North America Adjusted EBIT</td>
</tr>
<tr>
<td>&quot;Grow U.S. share in mattresses and hold share in specialty mattresses&quot;</td>
<td>Tempur North America Adjusted EBIT</td>
<td>Sealy Net Sales</td>
</tr>
<tr>
<td></td>
<td>Cost Savings for Global Operations</td>
<td>Sealy Adjusted EBIT</td>
</tr>
<tr>
<td></td>
<td>Sealy Net Sales</td>
<td>Leadership Cost Challenge Objectives</td>
</tr>
<tr>
<td></td>
<td>Sealy Adjusted EBIT</td>
<td></td>
</tr>
</tbody>
</table>

We Believe the Board Has Confused Employees With Too Many Performance Metrics
"Since Mr. Sarvary’s appointment in 2008, Tempur Sealy has increased total net sales by more than 220%, including the acquisition of Sealy.”

Tempur Sealy 2015 Proxy Statement, March 16, 2015

- The Board touts sales growth, which primarily came from the acquisition of Sealy, which was funded by shareholders.
- The Board’s overemphasis on sales has resulted in a lack of focus on the metric that matters most – profits – which declined in 2014.

<table>
<thead>
<tr>
<th></th>
<th>2014 Results</th>
<th>2013 Results</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales ($m)</td>
<td>2,990</td>
<td>2,464</td>
<td>526</td>
<td>21%</td>
</tr>
<tr>
<td>Adjusted EBITDA ($m)</td>
<td>405</td>
<td>411</td>
<td>(7)</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

“The value some analysts put on revenue vs. profit is out of whack. If you can grow real cash earnings, that’s 80% of what you ought to do - the revenue component is 20%.” – Lou Gerstner, Former CEO of IBM
You’ve got to meet your customers, understand your competition, [and] give the same speech too many times. You’ve got to be touched, felt, heard and believed.” – Mike Armstrong, Former CEO of AT&T
We Believe Tempur Sealy Can Generate Great Returns If a Reconstituted Board Fixes the “Five Flawed Foundations”

A Capable CEO
- Replace underperforming CEO with a proven leader with an operationally-intensive background

Appropriate Org Structure
- Immediately review if execution mistakes are occurring due to gaps in operations team, and fill vacant roles

A Focused Strategy
- Narrow strategic focus to emphasize profitability vs. unprofitable sales growth
- Prioritize high-value projects

Alignment with Stretch Goals
- Re-align employees to deliver substantially higher margins
- Reduce number of compensation metrics

Clear Communication
- Communicate clearly and repeatedly with all employees, retail partners and shareholders
- Set credible earnings goals
Show Tempur Sealy’s Board That You Demand Change – Vote the BLUE Proxy Card Today
Endnotes

2) Source: Bloomberg. Total return reflects period from May 11, 2010 to April 6, 2015.
4) Source: Furniture/Today and H Partners’ estimates.
5) Source: Bloomberg. All periods with respect to February 9, 2015, the trading day prior to H Partners’ 13D filing. Company-selected peer group consists of the 24 companies that are named as Tempur Sealy’s direct peers in the Company’s 2014 10-K filing (February 13, 2015). Mattress Firm’s initial public offering occurred in November 2011, so the five-year underperformance vs. both mattress sector peers and the company-selected peer group does not include Mattress Firm. Relative performance is calculated as TPX total return over a given period, less the total return of the comparable index or peer group. Peer group returns are calculated as the average of each member’s return in the peer group.
6) Source: Company’s 2014 10-K filing (February 13, 2015).
7) Source: Bloomberg. All periods with respect to February 9, 2015, the trading day prior to H Partners’ 13D filing. Mattress Firm’s initial public offering occurred in November 2011, so it does not have a five-year total return.
8) Source: Company filings, Bloomberg. Calculated by dividing TPX’s share price as of market close on August 4, 2008, the date of Mr. Sarvary’s appointment, by the trailing twelve-month fully-diluted earnings per share as of June 30, 2008.
9) Source: Bloomberg. Market capitalization as of market close on December 30, 2011, the trading day prior to January 1, 2012, until market close on September 26, 2012, the trading day prior to the announcement of the Sealy acquisition.
10) Source: Bloomberg. Market capitalization as of market close on December 30, 2011, the trading day prior to January 1, 2012, compared to the market capitalization as of market close on September 26, 2012, the trading day prior to the announcement of the Sealy acquisition.
11) Source: Bloomberg. Market capitalization as of market close on February 17, 2015, the date that Tempur Sealy issued its Statement on H Partners, was $3.4 billion, compared to the market capitalization as of market close on December 30, 2011, the trading day prior to January 1, 2012, of $3.46 billion.
13) Source: Company filings. Historical peak earnings for Tempur-Pedic occurred during the trailing twelve-month period ended Q1 2012; net sales figures for Tempur-Pedic correspond to the same period. Historical peak earnings for Sealy occurred during the trailing twelve-month period ended FY 2006; net sales figures for Sealy correspond to the same period. Historical peak operating margins are calculated as follows: (Adjusted EBITDA - Depreciation & Amortization) ÷ Net Sales. Current operating margin reflects the Company’s 2014 reported adjusted operating margin.
14) Source: Company filings. Tempur-Pedic's operating margin between 2003 and 2007 is calculated as follows: Operating Income (GAAP) ÷ Net Sales. The average of Tempur-Pedic’s operating margin for these five fiscal years is 21.9%. The Tempur segment’s operating margin for 2014 is calculated as follows: (Total Reported Adjusted Operating Income – Sealy Segment Reported Adjusted Operating Income) ÷ (Tempur North America Net Sales + Tempur International Net Sales). All other company figures are reflective of the most recent trailing twelve-month GAAP figures available in respective 10-K and 10-Q filings as of February 17, 2015, the date of H Partners’ first 13D amendment. Tiffany & Co. FY 2014 operating income is adjusted for $480 million of arbitration award expense.
15) Source: Tempur-Pedic International, Inc. 10-K filing (February 12, 2009). Per 10-K filing, the Company sells its products under the Tempur-Pedic brand name domestically, and under the Tempur brand name abroad. Classifies as one global brand.


18) Source: Relevant company 2014 10-K filings or Annual Reports. For Dorel Industries Inc., figures reflect those reported in 2013 Annual Report, as these are the most recent available as of April 3, 2015. For Mohawk Industries Inc., Tupperware Brands Corp. and Under Armour Inc., “International” is defined herein as non-North America revenue. For all other companies, “International” is defined herein as non-US revenue. For Williams-Sonoma Inc., international revenue is approximated as the number of international company-owned stores, divided by the total global number of company-owned stores, multiplied by total revenue.

19) Source: Tempur Sealy 2013 Investor Day Presentation (September 10, 2013) and Tempur Sealy 2015 Investor Day Presentation and Transcript (February 18, 2015). At the Company’s 2015 Investor Day, management said, “In the old credit agreement, we were restricted in our cash usage until we got down below 3x debt-to-EBITDA, approaching 2.5x. We now have the cash flexibility once we get below 3.5x. That was part of that October credit agreement amendment. As we look at that, which prompted us to now review what is our optimal capital structure, as a larger business...we now believe, and had several bankers verify our analysis, that on a risk-adjusted basis, 3x is our optimal capital structure. So our anticipation is as we get below 3.5x, unless there were – happen to be a pending acquisition opportunity, we will start returning value to shareholders.”


22) Source: Tempur Sealy International, Inc. 2015 Proxy Statement (March 16, 2015); Bloomberg. “TPX Board” represents beneficial ownership of current Board members calculated as follows: number of shares beneficially owned less shares of common stock which a director has the right to acquire upon the exercise of stock options that were exercisable as of March 11, 2015, or that will become exercisable within sixty days after that date, or other equity instruments which are scheduled to vest and convert into common shares within sixty days after that date, as a percentage of the reported 60,958,394 basic shares outstanding as of March 11, 2015 per the Company’s Proxy Statement. Other holdings from Bloomberg as of April 3, 2015.

23) Source: Tempur-Pedic International, Inc. Amended S-1 filing (December 3, 2003); Tempur-Pedic International, Inc. and Tempur Sealy International, Inc. Proxy Statements (2004 – 2015); Bloomberg. All holdings data are as of the record date. Whenever ownership is greater than 5%, ownership data is taken directly from respective Proxy Statement. Whenever ownership is less than 5%, ownership data is taken from Bloomberg.


25) Source: Tempur-Pedic International, Inc. Proxy Statements (2012 – 2013); Tempur Sealy International, Inc. Proxy Statements (2014 – 2015); Bloomberg. Compensation data from respective years’ proxy statements, relating to calendar year periods. Figures reflect CEO Mark Sarvary’s total compensation in a given year, including cash compensation and any equity based awards. TPX stock underperformance figures reflect relative cumulative performance versus the average of the total cumulative returns of the Company’s self-selected peer group as referenced in the Company’s 2014 10-K (February 13, 2015), with respect to February 9, 2012, the start of the three-year period prior to February 9, 2015, the trading day before H Partners’ 13D filing.
Endnotes (cont’d)

26) Source: Bloomberg. Represents change in the value of Company’s market capitalization between market close on February 9, 2012 and market close on February 9, 2015, the trading day before H Partners’ 13D filing. Absolute return references 7 above.

27) Source: Six Flags Entertainment, Inc. Annual Reports. For 2005 – 2007, operating margin is calculated as follows: (Modified EBITDA – Capex) ÷ Revenue.


30) Source: J. Crew Group, Inc. Company 10-K and 10-Q filings. Mr. Sarvary was hired as CEO of J. Crew on May 10, 1999 and departed on May 1, 2002. “Start of Sarvary’s Tenure” represents the trailing twelve-month period as of fiscal quarter ended May 1, 1999. “End of Sarvary’s Tenure” represents the trailing twelve-month period as of fiscal quarter ended May 4, 2002. J. Crew’s trailing twelve-month operating income as of fiscal quarter ended May 1, 1999 has been adjusted for one-time costs associated with the write down of assets and other charges incurred in connection with the discontinuance of Clifford & Wills, as well as termination costs and other non-recurring employment contract charges.

31) Source: Bloomberg. For Abercrombie & Fitch, the 54% increase in operating income occurred between the trailing twelve-month period as of fiscal quarter ended May 2, 1999 and the trailing twelve-month period as of fiscal quarter ended May 4, 2002. For American Eagle, the 67% increase in operating income occurred between the trailing twelve-month period as of fiscal quarter ended May 1, 1999 and the trailing twelve-month period as of fiscal quarter ended May 4, 2002.

32) Source: Campbell Soup Company 10-K and 10-Q filings; http://www.sec.gov/Archives/edgar/data/16732/000089322007003908/w43525exv10wxay.htm; Bloomberg. For “Campbell Soup – North America”, reflects sales and EBIT growth between the trailing twelve-month periods as of fiscal quarter ended February 1, 2004 and October 28, 2007, the periods that most closely coincide with Mr. Sarvary’s start and end dates as President of Campbell Soup’s North America division. Sales for the North America division is calculated as follows: (Total Consolidated Sales – International Soup & Sauces Sales). EBIT for the North America division is calculated as follows: (Total Consolidated EBIT – International Soup & Sauces EBIT). Indices reflect sales and EBIT growth between the trailing twelve-month periods as of calendar quarter ended December 31, 2003 and September 30, 2007, the closest comparable calendar quarters to Campbell Soup’s fiscal quarters.

33) Source: Respective company filings; respective company proxy Statements; TA Associates press releases; Bloomberg.

34) Source: TA Associates press releases. Represents the fifteen most recent investments as of February 9, 2015, the trading day prior to H Partners’ 13D filing.

35) Source: Friedman Fleischer website; Bloomberg. For Tempur-Pedic, board durations are calculated with respect to the firm’s initial exit date on February 9, 2006.
36) Source: Friedman Fleischer website; Bloomberg. Represents current Friedman Fleischer portfolio, as listed on the firm's website.

37) Source: Bloomberg; Sealy Corporation Schedule 14C Proxy Statement (October 30, 2012). Mr. McLane purchased approximately 112,000 shares of Tempur-Pedic stock on June 8, 2012 at a weighted average price of $25.02 per share, representing a nominal value of approximately $2,802,000. As of December 30, 2012, Tempur-Pedic stock closed at $31.49 per share, representing a share price appreciation of approximately 26%. As of December 31, 2012, the value of Mr. McLane’s 112,000 shares was approximately $3,527,000, representing an increase of approximately $725,000 in the value of his holdings.


39) Source: Bloomberg. From February 3, 2010 to February 16, 2011, Friedman Fleischer sold approximately 3,198,000 shares in the open market at a weighted average price of approximately $35.19 per share. Approximately 1,059,000 shares owned by Friedman Fleischer, net of the reported 3,198,000 shares disposed of in the open market between February 3, 2010 and February 16, 2011 cannot be accounted for in Form 4 or 13D disclosures. Therefore, we have assumed that these residual shares were sold at the same weighted average price of $35.19 per share for which the reported shares were sold. On March 19 and 20, 2008, Friedman Fleischer purchased approximately 4,257,000 shares of Tempur-Pedic stock at a weighted average price of $12.04 per share, or a nominal value of approximately $51,264,000. Pursuant to the assumption described herein, Friedman Fleischer divested of these shares at a weighted average price of $35.19 per share, or a nominal value of approximately $149,787,000. The difference between the nominal value of Friedman Fleischer’s open market purchases and Friedman Fleischer’s estimated open market sales is approximately $98,522,000.

40) See reference 38 above.

41) Source: Bloomberg. Total return for the one year period beginning May 11, 2010, the first trading day for SIX.


43) Source: Company Investor Presentation (April 6, 2015); 2016-2018 assumes 2015 guidance of $2.90 (the midpoint of the range), and assumes a 15% growth rate per year as per page 28 of the Company’s Investor Presentation.

44) Source: Company filings. Sealy gross margin at time of acquisition reflects the fiscal year ended December 2, 2012, and has been adjusted to add shipping and handling expenses to cost of sales, to make figures comparable to figures reported as part of consolidated Tempur Sealy.