Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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The following risk factors and other information included in this Report should be carefully considered. Please also see" Special Note Regarding Forward- Looking Statements" on page 3. Risks related to our Business and Economic Environment We operate in a highly competitive industry and if we are unable to compete successfully, we may lose customers and our sales may decline. Participants in the mattress and pillow industries compete primarily on price, quality, brand name recognition, product availability and product performance across a range of distribution channels. A number of our significant competitors offer mattress and pillow products that compete directly with our products. The effectiveness of our competition relative to our performance, including by established manufacturers or new entrants into the market, could have a material adverse effect on our business, financial condition and / or operating results. For example, market participants continue to improve their channels of distribution to optimize their reach to the consumer, including by pursuing online direct- to- consumer models. In addition, retailers in the U. S. and internationally have integrated vertically in the furniture and bedding industries, and it is possible that such vertical integration may provide conditions that would negatively impact our net sales and results of operations. The pillow industry in particular is characterized by a large number of competitors, none of which is dominant. As such, conditions that substantially increase a single participant' s market share could be detrimental to our financial performance. The highly competitive nature of the mattress and pillow industries means we are continually subject to the risk of loss of market share, loss of significant customers, reductions in margins, and the inability to acquire new customers. Loss of suppliers and disruptions in the supply of our raw materials and components ~~could~~ **has increased and may continue to** increase our costs of sales and reduce our ability to compete effectively. We acquire raw materials and components from a number of suppliers with manufacturing locations around the world. If we were unable to obtain raw materials and components from these suppliers for any reason, we would have to find replacement suppliers. Any substitute arrangements for raw materials and components might not be on terms as favorable to us. We maintain relatively small supplies of our raw materials and components at our manufacturing facilities, and any disruption in the shipment of supplies could interrupt production of our products, which in turn could result in a decrease of our sales or could cause an increase in our cost of sales, either of which could decrease our liquidity and profitability. If a key supplier for an applicable component failed to supply components in the amount we require, this could significantly interrupt production of our products and increase our production costs in the near term. ~~Such a~~ **We have experienced and may continue to experience** ~~disruption~~ **disruptions** ~~could occur~~ for a variety of reasons, including **disruptions in international trade routes,** changes in international trade duties and other aspects of international trade policy, labor shortages, natural disasters or climate- change related events (including severe weather events), pandemics and political events. If we are not able to successfully mitigate such supply chain risks, we could experience disruptions in production or increased costs, which may result in a decrease in our gross margin or reduced sales, and have a material adverse effect on our business, results of operations and financial condition. Changes in economic conditions, including inflationary trends in the price of our input costs, such as raw materials, ~~has~~ **due to, among other things, current geopolitical events, have** adversely affected our business and financial results and could continue to do so in the future. The bedding industry is subject to volatility in the price of petroleum- based and steel products, which affects the cost of polyurethane foam, polyester ~~, polyethylene foam~~ and steel innerspring component parts. The price and availability of these raw materials are subject to market conditions affecting supply and demand. Given the significance of the cost of these materials to our products, volatility in the prices of the underlying commodities ~~can~~ **has and will** significantly affect profitability. **The global economy continues to experience high rates of inflation, and inflationary pressure and price uncertainty may continue in 2024.** We have experienced **,** and may continue to experience, volatility and increases in the price of certain of these raw materials as a result of global market and supply chain disruptions and the broader inflationary environment related to the ongoing macroeconomic conditions. ~~Throughout 2022, we implemented pricing actions~~ **Interest rates remain relatively high and may continue** to **remain at such levels** ~~mitigate these known commodity headwinds~~. To the extent we are unable to absorb higher costs, or pass any such higher costs to our customers, our gross margin could be negatively affected, which could result in a decrease in our liquidity and profitability. ~~The ongoing COVID- 19 pandemic~~ **In addition, monetary policies to counter inflation could negatively affect our borrowing costs and those of our customers and suppliers** , as well as **exchange rates and** other **macroeconomic factors. Geopolitical developments, such as trade wars, the Russia- Ukraine conflict, the Israel- Hamas conflict and wider Middle East developments (including disruptions to the Red Sea passage or such conflicts spreading further in the relevant regions), have adversely impacted and could continue to adversely impact, among other things, our raw material, energy and transportation costs, certain of our suppliers, distributors, customers and local markets,** global ~~health crises~~ **and local macroeconomic conditions** , **and cause further supply chain disruptions (including by delaying the delivery times of raw materials needed for our business or our products to customers). In order to consummate the previously disclosed, pending merger with Mattress Firm, we and Mattress Firm must obtain certain governmental approvals, and if such approvals are not granted or are granted with conditions, consummation of the merger may be jeopardized, may not occur or may be delayed, or the anticipated benefits of the merger may not be achieved. On May 9, 2023, we entered into an Agreement and Plan of Merger (the" Merger Agreement") to acquire Mattress Firm Group Inc. (" Mattress Firm"). Although we and Mattress Firm have agreed to use reasonable best efforts to make certain governmental filings and obtain the required governmental approvals, including from the Federal Trade Commission (" FTC"), and to observe the expiration and termination of relevant waiting periods under the Hart- Scott- Rodino**

Antitrust Improvements Act of 1976, as amended, (the" HSR Act"), there can be no assurance that the relevant approvals will be obtained. In the fourth quarter of 2023, we announced that we certified substantial compliance with the FTC' s second request for documents pursuant to the HSR Act, in connection with the merger. The governmental entities from which these approvals are required have broad discretion in administering the governing laws and regulations, and may take into account various facts and circumstances in their consideration of the merger. These governmental entities may initiate proceedings seeking to prevent, or otherwise seek to prevent, the merger. As a condition to approving the merger, these governmental entities may impose conditions, terms, obligations or restrictions or require divestitures or place restrictions on the conduct of our business after consummation of the merger. As further described in the Merger Agreement, we have agreed to take certain divestiture actions and agree to certain other obligations or commitments in connection with the consummation of the merger if reasonably likely to permit consummation of the merger, provided that we are not required to take any divestiture actions in excess of an agreed amount specified in the Merger Agreement or if such actions, commitments and divestitures individually or in the aggregate ~~could~~ **would or would reasonably be expected to** have a material ~~adverse effect on our business, operations, or financial results in future periods. The COVID- 19 pandemic~~ and ~~it' s variants, as well as periodic spikes in infection rates globally, and related responses are continuing to evolve and, therefore, could continue to present potential new risks to our business. We have seen and expect to continue to see that the COVID- 19 pandemic has, and there may be other global health crises in the future that will have, effects on our business operations, including secondary and tertiary effects such as increased raw material prices, a decline in consumer confidence and spending, further increase in unemployment which could impact consumers' disposable income and, in turn, decrease sales of our products, required isolation in certain markets, disruptions in our supply chain, as the outbreak has disrupted travel, manufacturing and distribution throughout the world and increases in operating costs due to disruptions. As COVID- 19 continues to evolve, or if similarly severe global health crises were to develop, the full extent of the impact and effects on our business, operations, liquidity, financial condition and results of operations remain uncertain and could be material. Any of these events could potentially result in a material~~ adverse impact on our business **or the business of Mattress Firm or the anticipated benefits to the Company of the merger. While we are pursuing the divestiture of certain of our** and **Mattress Firm' s stores, the progress of such process may change and there can be no assurance that we will successfully complete this process on the expected timing or at all. There can be no assurance that governmental entities will not impose the aforementioned divestiture obligations, conditions, terms, obligations or restrictions and that such divestiture obligations, conditions, terms, obligations or restrictions will not have the effect of delaying or preventing consummation of the merger or imposing additional material costs on or limiting the benefits of the merger to the Company, or otherwise adversely affecting, including to a material extent, our business,** results of operations **and financial condition after consummation of the merger. If we are required to divest assets or businesses, there can be no assurance that we will be able to negotiate such divestitures expeditiously or on favorable terms or that the governmental entities will approve the terms of such divestitures. We can provide no assurance that these divestiture obligations, conditions, terms, obligations or restrictions will not result in the abandonment of the merger and termination of the Merger Agreement** . Risks related to operating our business The performance of our business depends on our ability to implement strategic initiatives and actions taken to increase sales growth may not be effective. The performance of our business depends upon a number of factors, including the following: • our ability to continuously improve our products to offer new and enhanced consumer benefits and better quality; • the ability of our current and future product launches to increase net sales; • the effectiveness of our advertising campaigns and other marketing programs to build product and brand awareness, driving traffic to our distribution channels and increasing sales; • our ability to successfully launch new products; • our ability to compete in the mattress and pillow industry; • our ability to continue to expand into new distribution channels and optimize our existing channels; • our ability to continue to successfully execute our strategic initiatives; • our ability to manage growth and limit cannibalization associated with new or expanded supply agreements; • our ability to reduce costs, including the level of consumer acceptance of our products at optimal price points; • our ability to successfully mitigate the impact of headwinds facing our business, including increased commodity prices and the influx of low- end, imported beds that compete with certain of our products; • our ability to pursue ~~and~~ **,** successfully integrate **and capture the synergies from** potential acquisition opportunities **, including the pending Mattress Firm acquisition** ; and • general economic factors that impact consumer confidence, disposable income or the availability of consumer financing. Our new product launches may not be successful due to development delays, failure of new products to achieve anticipated levels of market acceptance and significant costs associated with failed product introductions, which could adversely affect our revenues and profitability. Each year we invest significant time and resources in research and development to improve our product offerings and launch new products. In ~~2022~~ **2023** , we ~~completed the launch~~ **launched** ~~of our refreshed Sealy portfolio of new models in our Posturepedic PlusTM, Posturepedic ® and Essentials product lines. We also began the launch of a refreshed Stearns & Foster product line and introduced a new Sealy ® Naturals ™ product line in the U. S. In 2023, we expect to complete the launch of~~ our refreshed Stearns & Foster ® product line and ~~begin the launch of~~ a new line of Tempur ® mattresses internationally. We also ~~expect to launch~~ **launched** a new portfolio of Tempur- Pedic ® Breeze mattresses and Tempur- Ergo ® Smart Bases in 2023 **. We expect to complete the multi- year refresh of Tempur- Pedic ® products in 2024 with a new portfolio of Tempur- Pedic ® Adapt mattresses and accessories in North America in 2024. This collection was designed to complement the Tempur- Pedic ® Breeze collection and Tempur- Ergo ® Smart Bases launched in 2023 and finishes the complete reset of our core Tempur lineup** . There are a number of risks that are inherent in our new product line introductions, including that the anticipated level of market acceptance may not be realized, which could negatively impact our sales. Further, introduction costs and manufacturing inefficiencies may be greater than anticipated, while the rollout of the product could be delayed, each of which could impact profitability. Because we depend on certain significant customers, a decrease or interruption in their business with us would reduce our sales and results of operations. Our top five customers, collectively, accounted for approximately 32 % of our net sales in ~~2022~~ **2023** , and **Mattress Firm** ~~of these, one wholesale customer~~ contributed over 15 %. ~~The credit environment~~ **If we are successful** in ~~which~~ **closing the pending Mattress Firm acquisition,** our **significant** ~~customers~~ - **customer concentration will be significantly reduced** ~~operate has been relatively stable over the past few years~~ . ~~However, there~~ **There** have been signs of deterioration in the U. S. retail sector, both nationally and regionally, including among our competitors. Some additional retailers that carry our products, as well as some of our competitors, may consolidate, undergo restructurings or reorganizations, may be acquired, experience financial difficulty or bankruptcy, or realign their affiliations, any of which could decrease the number of stores that carry our products, increase the ownership concentration in the retail industry or otherwise negatively impact the credit and retail environments in which we operate. An increase in the concentration of our sales to large customers may negatively affect our profitability due to the impact of volume and other incentive programs related to these customers. Furthermore, if sales to our large customers grow, our credit exposure to these customers may also increase. Some of these retailers may decide to carry only a limited number of brands of mattress products, which could affect our ability to sell products to them on favorable terms, if at all. A substantial decrease or interruption in business from these significant customers could result in the loss of future business and could reduce revenue, liquidity and profitability. We rely significantly on information technology **(" IT")** and **we have experienced and in the future could experience** ~~any failure, inadequacy, interruption or security lapse of that technology, including~~ cyber- based attacks ~~,~~ **which have and in the future** could harm our ability to effectively operate our business. We rely on **IT** ~~information technology~~ systems to operate and manage our business and to process, maintain and safeguard information essential to our business as well as information relating to third- parties, including our customers, suppliers and employees. These systems are vulnerable to events beyond our reasonable control, including cyberattacks and security breaches ~~, and we may be subject to failure of our current systems, or future upgrades, to operate effectively or to integrate with other systems~~ . Such events **have resulted in and in the future** could result in operational slowdowns, shutdowns or other difficulties; loss of **sales,** revenues or market share; compromise or loss of sensitive or proprietary information **, including the misappropriation of our customers' or employees' personal information** ; destruction or corruption of **data, including valuable business** data; costs of remediation, upgrades, repair or recovery; breaches of obligations to third parties under privacy laws or contracts; **exhaustion of insurance coverage and increased insurance premiums; fines** or **lawsuits; or other** damage to our reputation or customer relationships; each of which, depending on the extent or duration of the event, could materially and adversely impact our business, operating results or financial condition. **We have been, and may in the future be, subject to cybersecurity incidents. As these attacks increase and become more sophisticated, the risks associated with such an event continue to increase, particularly as our digital business footprint expands. Our security measures and internal controls are designed to protect personal data, business information, including intellectual property, and other confidential information, to prevent data loss, and to prevent** ~~For~~ **or** ~~example~~ **detect security breaches. However, such measures and controls do not provide absolute security in preventing these cybersecurity events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently. Moreover** , we ~~have implemented a new enterprise resource planning system (" ERP") across several of our global subsidiaries and in certain significant U. S. subsidiaries throughout 2020, 2021 and 2022. The new ERP system replaces a substantial portion of our legacy systems and if we are unable to successfully implement the replacement system or if errors or failures in the implementation process lead to production shutdowns, our business may be materially impacted and disrupted and we may be required to engage in unanticipated additional use of capital and other resources, which may adversely impact our results of operations or reduce our profitability. We also~~ rely on third- party technology service providers in ordinary course operations of our Direct channel, such as website hosting, payment systems and digital advertising. **Our** ~~We and our~~ third- party service providers may be victims to **cybersecurity events** ~~cyber- based attacks and incidents~~ from time to time, and failure to prevent, detect or remediate such events may disrupt our operations ~~could~~ and **could** cause financial or reputational harm, including if insurance coverage is insufficient to cover all losses or all types of claims that may arise. **As previously disclosed, we identified a cybersecurity event on July 23, 2023 affecting certain of our data and IT systems, which resulted in the temporary interruption of our operations when we proactively shut down certain of our systems. This cybersecurity event, as well as any other breach of our network or databases, or those of our third- party providers, have resulted and may in the future result in the risks discussed herein.** Furthermore, we are subject to a constantly evolving regulatory landscape of laws and regulations relating to **IT** ~~information technology~~ security and personal data protection and privacy, including but not limited to the EU' s GDPR and **the** ~~California' s~~ CCPA, each of which have imposed new and expanded compliance requirements on companies, including us, that process personal data from citizens living in applicable jurisdictions. Any failure to comply with applicable laws and regulations relating to ~~information technology and~~ data **security and** privacy, due to various factors within or outside of our control, could result in costly investigations from regulators and litigation, expose us to potentially significant penalties, and result in negative publicity that could damage our reputation and credibility. Deterioration in labor relations could disrupt our business operations and increase our costs, which could decrease our liquidity and profitability. As of December 31, ~~2022~~ **2023** , we had approximately 12, 000 full- time employees. Our joint ventures also employ approximately 1, ~~600~~ **500** full- time employees. Approximately ~~18~~ **15** % of our employees are represented by various labor unions with separate collective bargaining agreements or government labor union contracts for certain international locations. Our North American collective bargaining agreements, which are typically three years in length, expire at various times during any given three year period. Due to the large number of collective bargaining agreements, we are periodically in negotiations with certain of the unions representing our employees. We may at some point be subject to work stoppages by some of our employees and, if such events were to occur, there may be a material adverse effect on our operations and profitability. Further, we may not be able to renew our various collective bargaining agreements on a timely basis or on favorable terms, or at all. Any significant increase in our labor costs could decrease our liquidity and profitability and any deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could result in a decrease in our net sales or an increase in our costs, either of which could decrease our liquidity and profitability. We may face exposure to product liability claims and premises liability claims, which could reduce our liquidity and profitability and reduce consumer confidence in our products. We face an inherent business risk of exposure to product liability claims if the use of any of our products results in personal injury or property damage. In the event that any of our products prove to be defective or otherwise fail to meet safety standards, we may be required to recall, redesign or even discontinue those products. We maintain insurance against product liability claims, but such coverage may not continue to be available on terms acceptable to us or be adequate for liabilities actually incurred. A successful claim brought against us in excess of available insurance coverage could impair our liquidity and profitability, and any claim or product recall that results in significant adverse publicity against us could result in consumers purchasing fewer of our products, which would also impair our liquidity and profitability. We also face inherent business risks by operating physical stores that are open to the public. By opening retail stores, we have increased our exposure to premises liability claims. We maintain insurance against premises liability claims, but such coverage may not continue to be available on terms acceptable to us or be adequate for liabilities actually incurred. A successful claim brought against us in excess of available insurance coverage could impair our liquidity and profitability, and any claim or product recall that results in significant adverse publicity against us could adversely affect our reputation or result in consumers purchasing fewer of our products, which would also impair our liquidity and profitability. If we are not able to protect our trade secrets or maintain our trademarks, patents and other intellectual property, we may not be able to prevent competitors from developing similar products or from marketing in a manner that capitalizes on our intellectual property rights, and this loss of a competitive advantage could decrease our profitability and liquidity. We rely on patents and trade secrets to protect the design, technology and function of our products. To date, we have not sought U. S. or international patent protection for our principal product formula for Tempur ® material and certain of our manufacturing processes. Accordingly, we may not be able to prevent others from developing certain visco- elastic material and products that are similar to or competitive with our products. Our ability to compete effectively with other companies also depends, to a significant extent, on our ability to maintain the proprietary nature of our owned and licensed intellectual property. We own a significant number of patents or have patent applications pending on some aspects of our products and certain manufacturing processes. However, the principal product formula and manufacturing processes for our Tempur ® material are not patented and we must maintain these as trade secrets in order to protect this intellectual property. We own U. S. and foreign registered trademarks and service marks and have applications for the registration of trademarks and service marks pending domestically and abroad. We also license certain intellectual property rights from third parties. Certain of our trademarks are currently registered in the U. S. and are registered or pending in foreign jurisdictions. Certain other trademarks are the subject of protection under common law. However, those rights could be circumvented, or violate the proprietary rights of others, or we could be prevented from using them if challenged. A challenge to our use of our trademarks could result in a negative ruling regarding our use of our trademarks, their validity or their enforceability, or could prove expensive and time consuming in terms of legal costs and time spent defending against such a challenge. Any loss of trademark protection could result in a decrease in sales or cause us to spend additional amounts on marketing, either of which could decrease our liquidity and profitability. In addition, if we incur significant costs defending our trademarks, that could also decrease our liquidity and profitability. In addition, we may not have the financial resources necessary to enforce or defend our trademarks. Furthermore, our patents may not provide meaningful protection and patents may never issue from pending applications. It is also possible that others could bring claims of infringement against us, as our principal product formula and manufacturing processes are not patented, and that any licenses protecting our intellectual property could be terminated. If we were unable to maintain the proprietary nature of our intellectual property and our significant current or proposed products, this loss of a competitive advantage could result in decreased sales or increased operating costs, either of which would decrease our liquidity and profitability. In addition, the laws of certain foreign countries may not protect our intellectual property rights and confidential information to the same extent as the laws of the U. S. or the EU. Third parties, including competitors, may assert intellectual property infringement or invalidity claims against us that could be upheld. Intellectual property litigation, which could result in substantial cost to and diversion of effort by us, may be necessary to protect our trade secrets or proprietary technology, or for us to defend against claimed infringement of the rights of others and to determine the scope and validity of others' proprietary rights. We may not prevail in any such litigation, and if we are unsuccessful, we may not be able to obtain any necessary licenses on reasonable terms or at all. The loss of the services of any members of our executive management team could impair our ability to execute our business strategy and as a result, reduce our sales and profitability. We depend on the continued services of our executive management team, whose average tenure with the Company is 15 years. Our executive team' s leadership experience provides us with a competitive advantage, as the team sets clear initiatives for the organization and enhances high- performing teams by empowering them to act quickly, especially during challenging periods. The loss of key personnel could have a material adverse effect on our ability to execute our business strategy and on our financial condition and results of operations. We do not maintain key- person insurance for members of our executive management team. Regulatory, Legal and Financial Risks We may be adversely affected by fluctuations in exchange rates, which could affect our results of operations, the costs of our products and our ability to sell our products in foreign markets. Approximately ~~26~~ **27** . ~~9~~ **7** % of our net sales were generated outside of the U. S. in ~~2022~~ **2023** . We conduct our business in a wide variety of currencies and are therefore subject to market risk relating to changes in foreign exchange rates. If the U. S. dollar strengthens relative to the Euro or other foreign currencies where we have operations, for example, there will be a negative impact on our operating results upon translation of those foreign operating results into the U. S. dollar. In ~~2022~~ **2023** , foreign currency exchange rate changes ~~negatively~~ **positively** impacted our net income by approximately ~~2~~ **1** . 5 % and ~~negatively~~ **positively** impacted adjusted EBITDA, which is a non- GAAP financial measure, by approximately 0. 8 %. Changes in foreign currency exchange rates could have an adverse impact on our financial condition, results of operations and cash flows. Except for the use of foreign exchange forwards contracts described immediately below, we do not hedge the translation of foreign currency operating results into the U. S. dollar. We use foreign exchange forward contracts to manage a portion of the exposure to the risk of the eventual net cash inflows and outflows resulting from foreign currency denominated transactions among certain subsidiaries. These hedging transactions may not succeed or may be only partially successful in managing our foreign currency exchange rate risk. Refer to" Management' s Discussion and Analysis" included in Part II, ITEM 7 of this Report and" Quantitative and Qualitative Disclosures About Market Risk" included in Part II, ITEM 7A of this Report for further discussion on the impact of foreign exchange rates on our operations. Our leverage affects how we manage our business and may limit our flexibility. We operate in the ordinary course of our business with a certain amount of leverage. Our degree of leverage could have important consequences, such as: • increasing our vulnerability to adverse economic, industry or competitive developments; • requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and other business opportunities; • making it more difficult for us to satisfy the obligations related to our indebtedness; • restricting us from making strategic acquisitions or investments or causing us to make non- strategic divestitures; • limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions **, including the pending Mattress Firm acquisition,** and general corporate or other purposes; • limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate; • exposing us to variability in interest rates, as a substantial portion of our indebtedness is and will be at variable rates; and • limiting our ability to return capital to our stockholders, including through share repurchases and dividends. In addition, the instruments governing our debt contain customary financial and other restrictive covenants, which limit our operating flexibility and could prevent us from taking advantage of business opportunities and reduce our flexibility to respond to changing business and economic conditions. Failure to comply with our debt covenants may result in a default or event of default under the related credit document. If such default or event of default is not cured or waived, as applicable, we may suffer adverse effects on our operations, business or financial condition, including acceleration of the maturity date of all amounts outstanding under our debt facilities. For further discussion regarding our debt covenants and compliance, refer to" Management' s Discussion and Analysis" included in Part II, ITEM 7 of this Report and Note 6," Debt," in our Consolidated Financial Statements included in Part II, ITEM 8 of this Report. We ~~entered into the Advance Pricing Agreement Program to resolve a tax matter in Denmark, and a failure to resolve the matter or a change in factors or circumstances could adversely impact our income tax expense, effective tax rate and cash flows. We are a participant in the Advance Pricing Agreement Program (the" APA Program") for the tax years 2012 through 2024, under which the U. S. Internal Revenue Service (" IRS"), on our behalf, will negotiate directly with the Danish Tax Authority (" SKAT") with respect to the royalty to be paid by a U. S. subsidiary of the Company to the Company' s Danish subsidiary for the right to utilize certain intangible assets owned by the Danish subsidiary. In December 2022, SKAT and the IRS agreed on a preliminary framework to conclude the Company' s Danish tax matter for the years 2012 through 2024, which resulted in an income tax benefit recorded in the fourth quarter of 2022. The preliminary framework is expected to be finalized during 2023. If this matter is not resolved successfully or there is a change in facts or circumstances, we may be required to further increase our uncertain income tax provision or decrease our deferred tax asset related to this matter, which could have a material impact on the Company' s reported earnings. For a description of these matters and additional information please refer to Note 13," Income Taxes," to the accompanying Consolidated Financial Statements. We~~ are subject to risks from our international operations, such as complying with U. S. and foreign laws, foreign exchange exposure, tariffs, increased costs, political risks **, geopolitical conflicts** and our ability to expand in certain international markets, which could impair our ability to compete and our profitability. We are a global company, selling our products in approximately 100 countries worldwide. We generated approximately ~~26~~ **27** . ~~9~~ **7** % of our net sales outside of the U. S. in the year ended December 31, ~~2022~~ **2023** . We operate through multiple wholly owned subsidiaries and we also participate in international license and joint venture arrangements with independent third parties. Our international operations are subject to the customary risks of operating in an international environment, including complying with U. S. laws affecting operations outside of the U. S. such as the Foreign Corrupt Practices Act; complying with foreign laws and regulations, including disparate anti- corruption laws and regulations; and the potential imposition of trade or foreign exchange restrictions, tariffs and other tax increases, inflation ~~and~~ **,** unstable political situations ~~and~~ **,** labor issues **and geopolitical conflicts (including the Russia- Ukraine conflict, the Israel- Hamas conflict and wider Middle East developments)** . We are also limited in our ability to independently expand in certain international markets where we have granted licenses to manufacture and sell Sealy ® bedding products. Fluctuations in the rate of exchange between currencies in which we do business may affect our financial condition or results of operations. Additionally, changes in international trade duties and other aspects of international trade policy, both in the U. S. and abroad, could materially impact our business. We are subject to various regulatory requirements, including, but not limited to, trade, environmental, health and safety requirements, any violation of which may require costly expenditures and expose us to liability. We, and our products, are subject to extensive regulation in the U. S. by various federal, state and local regulatory authorities, including the **FTC** ~~Federal Trade Commission~~ , the Consumer Product Safety Commission (" ~~CSPC~~ **CPSC** ") and the U. S. Food and Drug Administration, and by similar international regulatory regimes. We are subject to various health and environmental provisions, such as California Proposition 65 (the Safe Drinking Water and Toxic Enforcement Act of 1986) and in our international jurisdictions we are subject to the medical devices regulatory authorities such as the Medicines and Healthcare products Regulatory Agency (" MHRA") and the International Chamber of Commerce Advertising and Marketing Communications Code. We are subject to laws and regulations both in the U. S. and internationally, relating to pollution, environmental protection and occupational health and safety, such as the Federal Water Pollution Control Act, and Registration, Evaluation, Authorization and Restriction of Chemicals (" REACH"), amongst others. As a manufacturer of bedding and related products, we are subject to regulations governing the environment.

Any violation or ~~Failure~~ **failure** to comply with any of these regulatory requirements may result in liability exposure and costly expenditures to remediate or pay for liabilities. For example, if a release of hazardous substances occurs on or from our properties or any associated offsite disposal location, or if contamination from prior activities is discovered at any of our properties, we may be held liable if there has been a violation of the regulatory requirement, and the amount of such liability could be material. Further, any of the rules and regulatory requirements we are subject to may change from time to time, or may conflict. For example, our operations could be impacted by a number of pending legislative and regulatory proposals to address greenhouse gas emissions in the U. S. and other countries, including the Kyoto Protocol. We may not be in complete compliance with any such requirements, or at all times, and though we have made and will continue to make expenditures to comply these regulatory requirements, violation of any of them or failure to comply could expose us to liability, subject us to monetary liabilities and could harm our business, reputation and financial condition. Our pension plans are currently underfunded and we may be required to make cash payments to the plans, reducing our available cash. We contribute to multi-employer pension plans according to collective bargaining agreements that cover certain union- represented employees. Participating in these multi- employer plans exposes us to potential liabilities if the multi- employer plan is unable to pay its underfunded obligations or we trigger a withdrawal event. The withdrawal liability is an exit fee for employers who cease contributions to multi- employer defined benefit pension plans with unfunded vested benefits. We participate in several plans which are in the Red Zone for ~~2022~~ **2023** . A plan is in the Red Zone (Critical) if it has a current funded percentage of less than 65. 0 %. The following risks of participating in these multi- employer plans differ from single employer pension plan risks: • Employer contributions to a multi- employer plan may be used to provide benefits to employees of other participating employers. • If a participating employer stops contributing to a multi- employer plan, the remaining participating employers assume the unfunded obligations of the plan. • If the multi- employer plan becomes significantly underfunded or is unable to pay its benefits, we may be required to contribute additional amounts in excess of the rate required by the collective bargaining agreements. For more information, refer to Note 8," Retirement Plans," in our Consolidated Financial Statements included in Part II, ITEM 8 of this Report. Challenges to our pricing or promotional allowance policies or practices could adversely affect our operations. Certain of our retail pricing and promotional allowance policies or practices are subject to antitrust and consumer protection regulations in the U. S. and abroad. If regulators or private parties in any jurisdiction in which we do business initiate investigations or claims that challenge our pricing or promotional allowance policies or practices, our efforts to respond could force us to divert management resources and we could incur significant unanticipated costs. If such an investigation or claim were to result in a charge that our practices or policies were in violation of applicable antitrust, consumer protection or other laws or regulations, we could be subject to significant additional costs of defending such charges in a variety of venues and, ultimately, if there were a finding that we were in violation of antitrust, consumer protection or other laws or regulations, there could be an imposition of fines, and damages for persons injured, as well as injunctive or other relief. Any requirement that we pay fines or damages (which, under the laws of certain jurisdictions, may be trebled) could decrease our liquidity and profitability, and any investigation or claim that requires significant management attention or causes us to change our business practices could disrupt our operations or increase our costs, also resulting in a decrease in our liquidity and profitability. An antitrust or consumer protection class action or individual suit against us could result in potential liabilities, substantial costs, treble damages, and the diversion of our management' s attention and resources, regardless of the outcome. Climate change and related environmental issues could have a material adverse impact on us. Climate- related events, such as an increase in frequency and severity of storms, floods, wildfires, droughts, hurricanes, freezing conditions and other natural disasters, may have a long- term impact on our business, financial condition and results of operations. For example, such climate- related events could result in, among other things, physical damage to and complete or partial closure of one or more of our facilities, temporary or long- term disruption in the supply of products, increased insurance costs or loss of coverage, legal liability and reputational harm. While we seek to mitigate our business risks associated with climate events, we recognize that there are inherent climate- related risks regardless of where we conduct our business. Current or future insurance arrangements may not provide protection for costs that may arise from such events, particularly if such events are catastrophic in nature or occur in combination. Further, the long- term effects of climate change on general economic conditions and the mattress and pillow industries in particular are unclear, and changes in the supply, demand or available sources of energy and the regulatory and other costs associated with energy production and other impacts of climate- related events may affect the availability or cost of goods and services, including natural resources and raw materials, necessary to run our business. While we continue to focus on strategies and systems to address the long- term risks posed by climate change, such as reducing our greenhouse gas emissions and packaging waste, there can be no assurance that such strategies and systems will adequately protect against such risks. Any disruption in our operations or additional expenses caused by the long- term effects of climate change could have a material adverse effect on our operations. ~~Changes in tax laws could have an adverse effect on us, the mattress and pillow industries, our customers, and the value of collateral securing our loans. The Inflation Reduction Act of 2022 was signed into law by President Biden on August 16, 2022 which makes significant changes to the U. S. tax law, including the introduction of a corporate alternative minimum tax of 15 % of the" adjusted financial statement income" of certain domestic corporations as well as a 1 % excise tax on the fair market value of stock repurchases by certain domestic corporations, effective for tax years beginning in 2023. We currently do not expect the tax- related provision of the Inflation Reduction Act to have a material impact on our financial results.~~ Risks Related to Ownership of Our Common Stock ~~Although we recently announced a quarterly cash dividend, there~~ **There** can be no assurance as to the declaration or amount of future dividends. We ~~previously~~ **recently** announced **an increase in** our ~~intention to begin paying a~~ quarterly ~~cash~~ dividend **to $ 0. 13** ~~beginning in 2021 and recently declared a dividend of 11 cents~~ per share **, effective** for the first quarter of ~~2023~~ **2024** . Any decision to declare and pay dividends, and the amount of any such dividends, will be dependent on a variety of factors, including compliance with Section 170 of the Delaware General Corporation Law; changes to our capital allocation policies; our results of ~~operation~~ **operations** , liquidity and cash flows;

contractual restrictions in our debt agreements; economic conditions, including the impact of **geopolitical uncertainty** ~~COVID-19~~ and related macroeconomic impacts on our business and financial condition; and other factors the Board of Directors may deem relevant. There can be no assurance that we will declare dividends in any particular amounts or at all, and changes in our dividend policy could adversely affect the market price for our stock. Our share repurchase program ~~could be suspended~~ **is subject to suspension** or ~~terminated~~ **termination at any time** , and may not enhance long- term stockholder value. Our Board of Directors authorized a share repurchase program in 2016 pursuant to which we are authorized to repurchase shares of our common stock. ~~From 2016 through December 31, 2022, we had repurchased an aggregate of 55. 2 million shares for approximately $ 2, 383. 9 million under our share repurchase program. As of December 31, 2022, we had approximately $ 779. 5 million remaining under the share repurchase authorization.~~ The share repurchase program may be suspended or terminated at any time. **From 2016 through December 31, 2023, we had repurchased an aggregate of 55. 3 million shares for approximately $ 2, 388. 9 million under our share repurchase program. For the year ended and as of December 31, 2023, we repurchased an aggregate of $ 5. 0 million of shares under our share repurchase program and had approximately $ 774. 5 million remaining under the share repurchase authorization. Upon the announcement of our pending acquisition of Mattress Firm, we suspended our share repurchase program.** Shares may be repurchased from time to time, in the open market or through private transactions, subject to market conditions, in compliance with applicable state and federal securities laws ~~. It is uncertain how the Inflation Reduction Act of 2022 and the imposition of a 1 % excise tax on the fair market value of share repurchases by certain domestic corporations, effective for tax years beginning in 2023, will affect our share repurchase program~~ . The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, restrictions in our debt agreements, the trading price of our common stock and the nature of other investment opportunities. Repurchases of our common stock pursuant to our share repurchase program could affect the market price of our common stock or increase its volatility. Although our share repurchase program is intended to enhance long- term stockholder value, there is no assurance that it will do so and short- term stock price fluctuations could reduce the program' s effectiveness. Delaware law and our certificate of incorporation and bylaws contain anti- takeover provisions, any of which could delay or discourage a merger, tender offer or assumption of control of the Company not approved by our Board of Directors that some stockholders may consider favorable. Provisions of Delaware law and our certificate of incorporation and by- laws could hamper a third party' s acquisition of us, or discourage a third party from attempting to acquire control of us. You may not have the opportunity to participate in these transactions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include: • our ability to issue preferred stock with rights senior to those of the common stock without any further vote or action by the holders of our common stock; • the requirements that our stockholders provide advance notice and certain disclosures when nominating our directors; and • the inability of our stockholders to convene a stockholders' meeting without the chairperson of the Board of Directors, the president, or a majority of the Board of Directors first calling the meeting. Our Board of Directors could determine in the future that adoption of a stockholder rights agreement is in the best interest of our stockholders and any such stockholder rights agreement, if adopted, could render more difficult, or discourage, a merger, tender offer, or assumption of control of the Company that is not approved by our Board of Directors.