Tempur Pedic International Inc. (Hold)

**Summary:** Tempur Pedic is a leading manufacturer of specialty foam mattresses and pillows.

**Company Highlights**
- Revenue and earnings have shown strong growth-27.7% and 34.9%
- Notable Q3 highlights include strong international sales growth of 19%, which was driven primarily by a 25% increase in mattress sales and improved pillow sales.
- U.S sales increased 11% on mattress growth of 13%. TPX added 270 net new U.S. furniture retail doors in Q3, and now has presence in over 5,100 locations.
- Competition trying to create imitation products. However Tempur just reduced prices on “original bed” to get rid of competition.
- Pioneer in the industry, strong brand name

**Major Risks**
- Law suit: Tempur-Pedic and some of its executives "failed to disclose or misrepresented" that demand had dropped for Tempur-Pedic’s visco-elastic mattresses between April and September 2005
- High level of Debt
- Company’s niche sector faced competition in the form of cheaper offerings from Sealy, Simmons Bedding, and Serta International
- Non-conventional product technology, small market cap, single product line, lack of dividend
- 2 private equity firms control roughly 27% of fully diluted shares.

**Analysts Opinion:** Potential for large gains based on competitive positioning and strong growth. However, there are many uncertainties looming.