



Tempur Pedic International Inc. (Hold)

Stock Report

Date: 11/6/2005

Symbol: TPX

Price: \$10.29

Michigan State University
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Symbol: TPX
Sector: Industrial Goods
Industry: Textile Industrial
Industry Outlook: Hold

Market Cap: \$1.03B
Shares Outstanding: 100M
Avg. 10 Day Vol: \$1,568,030
52-Wk Range: \$9.41-\$25

DCF Valuation:

Net Profit Margin: 11.33%
Return on Equity: 41.29%
Dividend Yield: n/a
Debt to Equity: 1.13
Forward P/E: 8.85

Growth Rates (5 yr.)

	Company	Industry
Sales	7%	5%
EPS	7%	5%

Company Efficiency/Profitability

	Comp.	Ind.
ROE	41.29	17.15
P/E	11.49	11.52
Price/Book	3.79	3.54
Net Margin	11.33	5.55

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

TEMPUR-PEDIC INTL INC
as of 4-Nov-2005



Revenues (Million \$)

	2005	2004	2003	2002	2001
1Q	222	153.	--	--	--
2Q	192	151	--	--	--
3Q	206	181	--	--	--
4Q	--	199	--	--	--
Yr.		684.	479.	297.96	221.52

Earnings Per Share (\$)

	2005	2004	2003	2002	2001
1Q	.27	.16	--	--	--
2Q	.25	.18	--	--	--
3Q	.24	.23	--	--	--
4Q	--	.25	--	--	--
Yr.		.82	.55		

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.