



Somnigroup International Inc. (SGI)

Updated July 9th, 2025 by Ioannis Zourmpanos

Key Metrics

Current Price:	\$72	5 Year Annual Expected Total Return:	3.8%	Market Cap:	\$15.0B
Fair Value Price:	\$52	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	08/15/25 ¹
% Fair Value:	140%	5 Year Valuation Multiple Estimate:	-6.5%	Dividend Payment Date:	08/29/25 ²
Dividend Yield:	0.8%	5 Year Price Target	\$83	Years Of Dividend Growth:	5
Dividend Risk Score:	B	Sector:	Consumer Discretionary	Rating:	Hold

Overview & Current Events

Somnigroup International Inc. (SGI), founded through the 2012 Tempur-Pedic and Sealy merger and rebranded in 2025 after acquiring Mattress Firm, is a leading global bedding company based in Lexington, Kentucky. With a market cap near \$15 billion and around 12,000 employees, SGI generates over \$5 billion in annual revenue. It operates through Tempur Sealy North America, International, and Mattress Firm segments. SGI pays a quarterly dividend of \$0.15 per share and has grown its dividend for five consecutive years. Its broad retail and wholesale channels span more than 100 countries, combining legacy brands with strong omnichannel reach.

On May 8th, 2025, the company announced results for the first quarter of 2025. The company reported Q1 non-GAAP EPS of \$0.49, beating analysts' estimates by \$0.02. Somnigroup International opened its fiscal 2025 on a high note, posting an impressive 35% surge in net sales for the first quarter, largely fueled by its strategic acquisition of Mattress Firm earlier this year. Total net sales climbed to \$1.6 billion, up from \$1.2 billion a year ago, reflecting not only the Mattress Firm contribution but also the company's continued push to expand its reach in a soft global market. While gross margin dipped slightly due to acquisition-related adjustments, SGI's adjusted operating income rose to \$182.8 million, showcasing the underlying strength of its core operations and the company's ability to squeeze efficiencies from its newly combined footprint.

Equally encouraging, SGI generated a solid \$106 million in cash flow from operations in Q1, offering a reassuring signal to investors about its liquidity position as it integrates its largest acquisition to date. Despite recording a net loss of \$33.1 million for the quarter, primarily driven by one-time costs linked to the deal, the company's adjusted net income still edged up 8% year-over-year. With an updated full-year adjusted EPS guidance now ranging from \$2.30 to \$2.65, SGI appears cautiously optimistic, balancing its bold expansion with disciplined cost management and a commitment to delivering long-term value to shareholders.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$0.26	\$0.80	\$0.69	\$0.46	\$0.85	\$1.64	\$3.06	\$2.53	\$2.08	\$2.16	\$2.58	\$4.15
DPS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.32	\$0.40	\$0.44	\$0.52	\$0.60	\$0.88
Shares³	250.4	239.2	218.8	220.4	221.6	212.3	204.3	180.3	177.3	178.2	171.7	142.8

Somnigroup's five-year growth looks solid, with revenue expected to climb 8–12% annually, boosted by Mattress Firm's integration and global expansion. Margins should improve modestly as scale efficiencies kick in. Despite recent share dilution, strong free cash flow supports steady dividends and likely buybacks, driving an estimated 17% EPS CAGR.

We expect the company to post EPS of \$2.58 in 2025, which is the midpoint of analysts' estimates. Also, we expect annual EPS growth of 10.0% over the next five years, leading to our estimated EPS of \$4.15 by 2030. Moreover, the company has a growing record of paying dividends despite operating in a competitive healthcare sector, the company

¹ Estimated ex-dividend date.

² Estimated ex-dividend date.

³ Share count is in millions.

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has paid an increasing dividend for the past 5 years. Thus, we expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 8.0%, leading to a dividend of \$0.88 in 2030.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	61.09	19.86	21.55	28.34	14.25	10.17	6.12	15.15	13.78	18.63	28.0	20.0
Avg. Yld.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.4%	1.1%	1.0%	0.8%	1.1%

The stock trades at a forward P/E of 28.0, higher than the long-term average P/E of 20.9, but lower than the five-year average P/E of 12.8. Even though the rapid sales growth will benefit the company in the near term, we assign a P/E of 20.0 to the stock, which we feel is a fair reflection of its value. Accordingly, with an EPS of \$4.15 and P/E target of 20.0, our target price for the stock stands at \$83 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

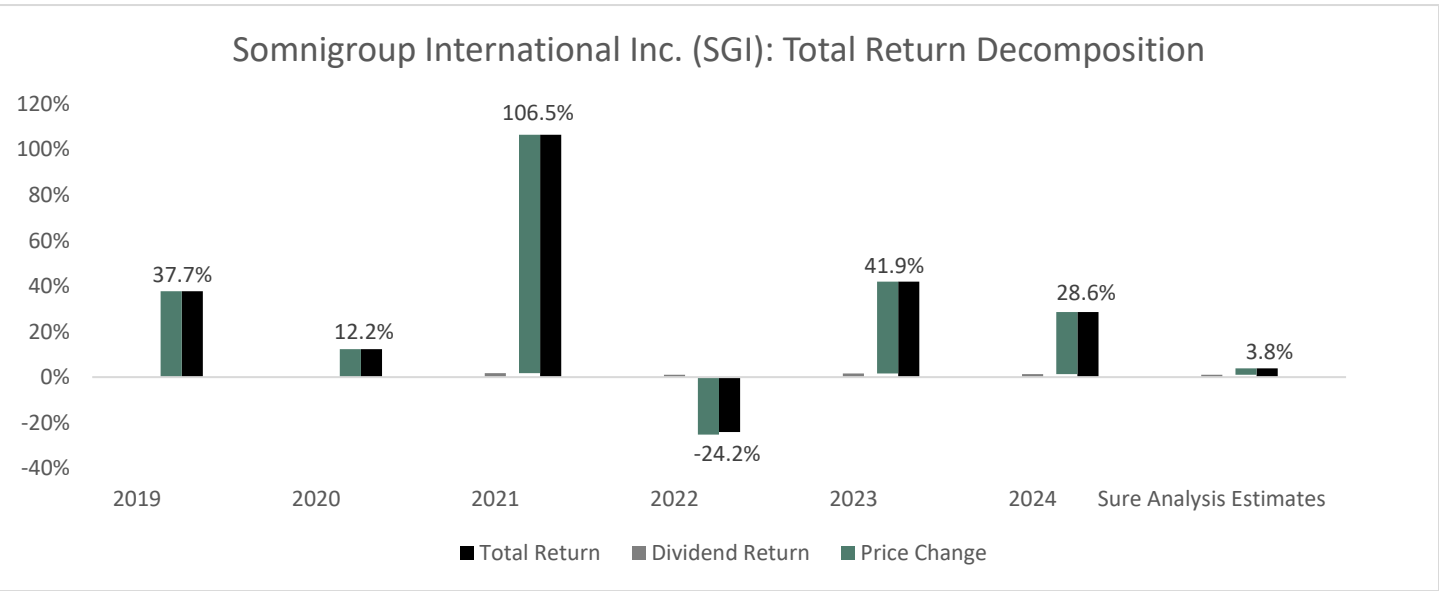
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	0%	0%	0%	0%	0%	0%	10%	16%	21%	24%	23%	21%

SGI’s resiliency stems from its strong brand portfolio, diversified global channels, and scale that cushion it against economic swings. While bedding demand can soften during recessions, the company’s broad product mix—from premium mattresses to value options, helps capture shifting consumer budgets. During the Great Recession, its legacy brands weathered the downturn better than many discretionary peers, and SGI’s recent expansion further spreads risk across markets. Though leverage increased post-acquisition, healthy free cash flow and reasonable interest coverage provide a solid buffer.

Final Thoughts & Recommendation

While Somnigroup International runs a competitive bedding and sleep products business, successful integration and cost synergies from its Mattress Firm acquisition could further boost EPS growth. Indeed, SGI’s healthy cash flow and disciplined payout ratio suggest its dividend growth prospects could stay solid for many years to come. Thus, we rate SGI with a hold rating premised upon the 3.8% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 0.8% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,155	3,080	2,701	2,703	3,106	3,677	4,931	4,921	4,925	4,931
Gross Profit	1,249	1,290	1,121	1,121	1,342	1,638	2,159	2,050	2,129	2,180
Gross Margin	39.6%	41.9%	41.5%	41.5%	43.2%	44.6%	43.8%	41.6%	43.2%	44.2%
SG&A Exp.	973	909	862	882	1,011	1,123	1,277	1,390	1,545	1,565
D&A Exp.	71	72	81	87	90	98	113	127	135	165
Operating Profit	295	400	280	239	331	516	882	660	584	615
Operating Margin	9.3%	13.0%	10.4%	8.8%	10.7%	14.0%	17.9%	13.4%	11.9%	12.5%
Net Profit	65	191	151	101	190	349	625	456	368	384
Net Margin	2.0%	6.2%	5.6%	3.7%	6.1%	9.5%	12.7%	9.3%	7.5%	7.8%
Free Cash Flow	168	104	156	110	227	543	600	72	385	569
Income Tax	125	86	44	50	75	103	198	119	103	119

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,656	2,699	2,694	2,715	3,062	3,309	4,323	4,360	4,554	5,980
Cash & Equivalents	154	66	41	46	65	65	301	69	75	117
Accounts Receivable	379	342	311	322	372	384	420	423	431	405
Inventories	199	197	179	222	261	312	464	555	483	447
Goodwill & Int. Ass.	1,405	1,401	1,400	1,372	1,374	1,396	1,858	1,778	1,798	1,767
Total Liabilities	2,353	2,733	2,579	2,498	2,701	2,795	4,028	4,372	4,221	5,412
Accounts Payable	266	235	228	253	252	324	432	360	311	361
Long-Term Debt	1,455	1,888	1,753	1,646	1,540	1,367	2,332	2,810	2,572	3,810
Shareholder's Equity	290	(45)	113	215	360	504	286	(22)	323	559
LTD/E Ratio	5.01	(42.05)	15.58	7.67	4.28	2.71	8.16	(127.2)	7.95	6.82

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.5%	7.1%	5.6%	3.7%	6.6%	11.0%	16.4%	10.5%	8.3%	7.3%
Return on Equity	24.9%	142.1%	376.6%	60.5%	65.6%	79.8%	154.5%	322.4%	229.3%	85.2%
ROIC	3.6%	10.6%	8.1%	5.4%	10.1%	18.5%	27.7%	16.8%	12.9%	10.6%
Shares Out.	250.4	239.2	218.8	220.4	221.6	212.3	204.3	180.3	177.3	178.2
Revenue/Share	12.60	12.88	12.34	12.26	14.02	17.32	24.14	27.29	27.78	27.67
FCF/Share	0.67	0.43	0.71	0.50	1.02	2.56	2.94	0.40	2.17	3.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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