Somnigroup International Inc. (SGI)

Updated August 13th, 2025 by Ioannis Zourmpanos

Key Metrics

Current Price:	$78	**5 Year CAGR Estimate:**	1.8%	**Market Cap:**	$16.4B
Fair Value Price:	$51	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	08/21/25
% Fair Value:	144%	**5 Year Valuation Multiple Estimate:**	-8.3%	**Dividend Payment Date:**	09/05/25
Dividend Yield:	0.8%	**5 Year Price Target**	$82	**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 August 7th, 2025, the company announced results for the second quarter of 2025. The company reported Q2 non-GAAP EPS of $0.53, beating analysts' estimates by $0.02.

Somnigroup International posted a robust 53% jump fueled largely by the inclusion of $948.8 million from Mattress Firm following its acquisition. Direct-to-consumer sales surged to 66% of net sales, up from 23% a year ago, underscoring the strategic shift in distribution. Gross margin improved to 44.0%, with adjusted gross margin at 44.2%. Operating income rose 3.8% to $179.9 million, while adjusted operating income jumped 24.3% to $224.4 million. Despite these gains, net income slipped 6.7% to $99.0 million, and EPS declined 21.7% to $0.47, impacted by integration and product launch costs.

CEO Scott Thompson highlighted that the Mattress Firm combination is tracking ahead of plan, with both cost and sales synergies materializing faster than anticipated. International sales climbed 15% on the back of successful product launches, while North America margins saw sharp improvement due to operational efficiencies. On the heels of this momentum, Somnigroup raised its full-year 2025 adjusted EPS guidance to $2.40–$2.70. The company ended the quarter with $5.0 billion in total debt and declared a quarterly dividend of $0.15 per share, payable September 5, 2025. Management remains confident in sustaining growth across all channels through the remainder of the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.26	$0.80	$0.69	$0.46	$0.85	$1.64	$3.06	$2.53	$2.08	$2.16	***$2.54***	***$4.08***
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***
Shares[1]	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 $2.54 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 $4.08 by 2030. Moreover, the company has a growing record of paying dividends despite operating in a competitive healthcare sector, the company 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.

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[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	61.09	19.86	21.55	28.34	14.25	10.17	6.12	15.15	13.78	18.63	***30.8***	***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 30.8, 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 expected EPS of $4.08 and P/E target of 20.0, our target price for the stock stands at $82 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

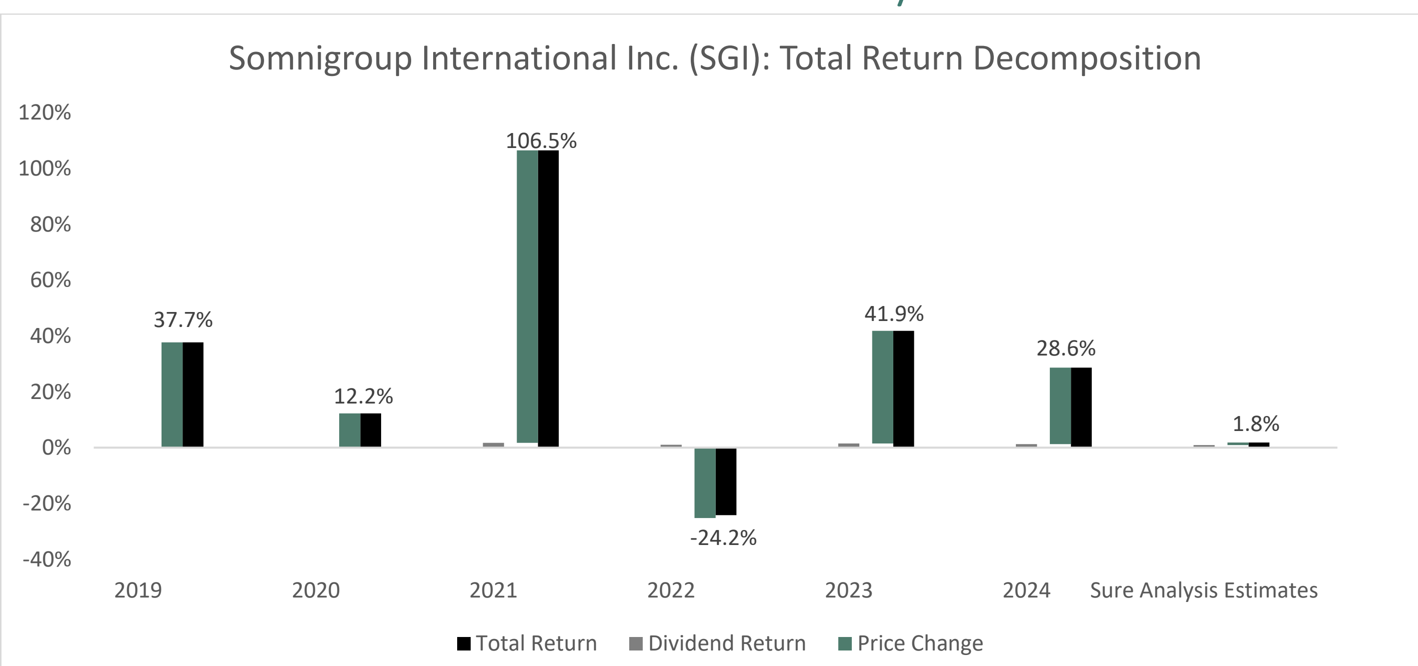
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	0%	0%	0%	0%	0%	0%	10%	16%	21%	24%	***24%***	***22%***

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 as a hold rating premised upon the 1,8% 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.