Somnigroup International Inc. (SGI)

Updated August 6th, 2026 by Ioannis Zourmpanos

Key Metrics

Current Price:	$66	**5 Year Annual Expected Total Return:**	10.2%	**Market Cap:**	$14.6 B
Fair Value Price:	$64	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	08/20/26
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	09/03/26
Dividend Yield:	1.0%	**5 Year Price Target**	$103	**Years Of Dividend Growth:**	6
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. Its broad retail and wholesale channels span more than 100 countries, combining legacy brands with strong omnichannel reach.

On August 6th, 2026, the company announced results for the second quarter of 2026. The company reported Q2 non-GAAP EPS of $0.58 in-line with analysts' and revenue of $1.82 billion that were down 3.2% year-over-year.

Somnigroup International reported second-quarter 2026 results highlighted by improved profitability despite softer sales trends. Net income increased 12% year over year to $110.9 million, while adjusted net income rose 8.4% to $122.6 million. Gross margin expanded to 44.8% from 44.0% a year earlier, with adjusted gross margin also improving, reflecting operational efficiencies and synergies from the Mattress Firm acquisition. Operating income advanced 12.1% to $201.7 million, although adjusted operating income declined 3.5% due to continued investments across the business. Management said the quarter demonstrated the company's ability to execute in a challenging environment while investing in its portfolio of brands, expanding internationally, and preparing for the North American launch of its new Stearns & Foster collection. Record second-quarter operating cash flow of $236 million further underscored the company's strong cash generation.

Performance across business segments was mixed. Mattress Firm continued to face pressure from store closures and weaker margins, although same-store sales improved slightly. Tempur Sealy North America benefited from acquisition synergies, operational efficiencies, and favorable product mix, driving significant margin expansion despite lower reported sales and commodity cost inflation. Meanwhile, the International business posted modest sales growth but experienced margin compression from higher input costs before recent pricing actions. Corporate expenses declined due to lower Mattress Firm acquisition-related costs. The company ended the quarter with total debt of $4.4 billion and improved its leverage ratio to 2.99x from 3.56x a year earlier. Looking ahead, Somnigroup raised its full-year 2026 adjusted earnings outlook, citing confidence in its long-term strategy, ongoing operational improvements, and expected benefits from strategic initiatives, while noting continued uncertainty related to tariffs, geopolitical conditions, and the pending acquisition of Leggett & Platt, which is expected to close by the end of the third quarter.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.80	$0.69	$0.46	$0.85	$1.64	$3.06	$2.53	$2.08	$2.16	$1.84	***$3.20***	***$5.15***
DPS	$0.00	$0.00	$0.00	$0.00	$0.00	$0.32	$0.40	$0.44	$0.52	$0.60	***$0.68***	***$1.00***
Shares[1]	239.2	218.8	220.4	221.6	212.3	204.3	180.3	177.3	178.2	209.2	***206.7***	***194.7***

[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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Somnigroup's five-year growth looks solid, with revenue expected to climb 8% to 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.

We expect the company to post EPS of $3.20 in 2026, 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 $5.15 by 2031. 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 six 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 $1.00 in 2031.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	19.9	23.0	32.3	15.3	7.4	5.5	7.4	18.4	13.3	40.0	***20.6***	***20.0***
Avg. Yld.	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	1.0%	1.5%	1.3%	0.8%	***1.0%***	***1.0%***

The stock trades at a forward P/E of 20.6, higher than both the long-term average P/E of 18.2 and the five-year average P/E of 16.9. As expected, rapid sales growth will benefit the company in the near term, leading us to 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 $5.15 and P/E target of 20.0, our target price for the stock stands at $103 by 2031.

Safety, Quality, Competitive Advantage, & Recession Resiliency

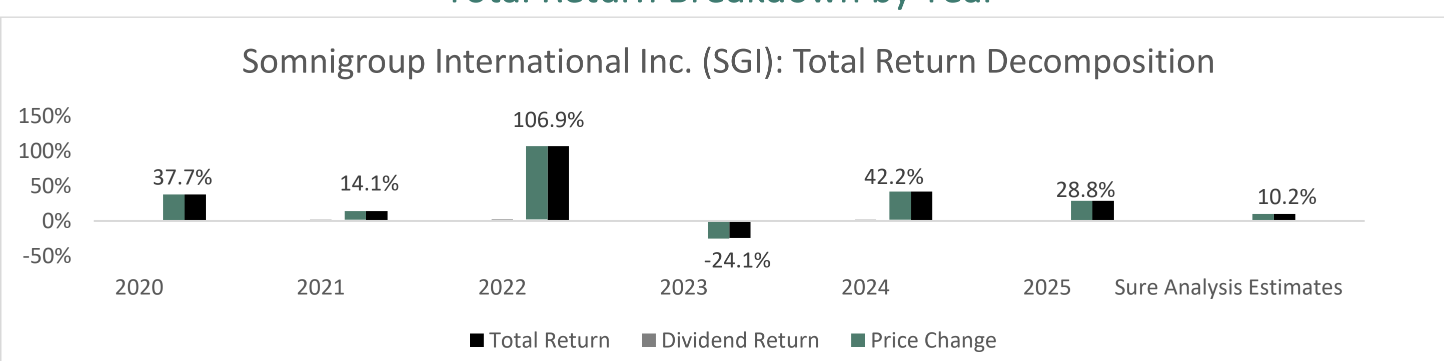
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	0%	0%	0%	0%	0%	10%	16%	21%	24%	33%	***21%***	***19%***

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 premised upon the 10.2% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 1.0% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	3,080	2,701	2,703	3,106	3,677	4,931	4,921	4,925	4,931	7,476
Gross Profit	1,290	1,121	1,121	1,342	1,638	2,159	2,050	2,129	2,180	3,374
Gross Margin	41.9%	41.5%	41.5%	43.2%	44.6%	43.8%	41.6%	43.2%	44.2%	45.1%
SG&A Exp.	909	862	882	1,011	1,123	1,277	1,390	1,545	1,565	2,434
D&A Exp.	72	81	87	90	98	113	127	135	165	250
Operating Profit	400	280	239	331	516	882	660	584	615	996
Operating Margin	13.0%	10.4%	8.8%	10.7%	14.0%	17.9%	13.4%	11.9%	12.5%	13.3%
Net Profit	191	151	101	190	349	625	456	368	384	385
Net Margin	6.2%	5.6%	3.7%	6.1%	9.5%	12.7%	9.3%	7.5%	7.8%	5.1%
Free Cash Flow	104	156	110	227	543	600	72	385	569	633
Income Tax	86	44	50	75	103	198	119	103	119	96

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,699	2,694	2,715	3,062	3,309	4,323	4,360	4,554	5,980	11,600
Cash & Equivalents	66	41	46	65	65	301	69	75	117	135
Accounts Receivable	342	311	322	372	384	420	423	431	405	359
Inventories	197	179	222	261	312	464	555	483	447	630
Goodwill & Int. Ass.	1,401	1,400	1,372	1,374	1,396	1,858	1,778	1,798	1,767	7,183
Total Liabilities	2,733	2,579	2,498	2,701	2,795	4,028	4,372	4,221	5,412	8,484
Accounts Payable	235	228	253	252	324	432	360	311	361	402
Long-Term Debt	1,888	1,753	1,646	1,540	1,367	2,332	2,810	2,572	3,810	6,276
Shareholder's Equity	(45)	113	215	360	504	286	(22)	323	559	3,108
LTD/E Ratio	(42.05)	15.58	7.67	4.28	2.71	8.16	(127.2)	7.95	6.82	2.15

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.1%	5.6%	3.7%	6.6%	11.0%	16.4%	10.5%	8.3%	7.3%	4.4%
Return on Equity	142.1%	376.6%	60.5%	65.6%	79.8%	154.5%	322.4%	229.3%	85.2%	20.9%
ROIC	10.6%	8.1%	5.4%	10.1%	18.5%	27.7%	16.8%	12.9%	10.6%	5.2%
Shares Out.	239.2	218.8	220.4	221.6	212.3	204.3	180.3	177.3	178.2	209.2
Revenue/Share	12.88	12.34	12.26	14.02	17.32	24.14	27.29	27.78	27.67	35.74
FCF/Share	0.43	0.71	0.50	1.02	2.56	2.94	0.40	2.17	3.19	3.03

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