

Sleep Number Corp

Waking Up With Fresh Eyes?

New leadership seems focused in the right areas, but a high degree of uncertainty remains

Our key takeaway from SNBR's 1Q print is that its new leadership team is hitting the ground running. It is taking decisive actions to set the business on stronger footing and improve the brand's positioning with consumers. But, this will take time to come to fruition. Consumer brand transformation stories are often non-linear, and the market will likely require several proof points of progress for sentiment to improve in the current operating backdrop. Plus, there is simply a wide range of outcomes on fundamentals this year, given: 1) SNBR's lack of guidance, 2) the company's recent top-line underperformance relative to the broader industry, 3) potential tariff impact on both margins and the broader consumer spending backdrop, and 4) execution risk from meaningful changes to its organizational and cost structures. Taken together, we still view risk-reward as balanced. Our other key takeaways from the print include:

- Management is addressing key areas SNBR has struggled with in the past:**

We think management's commentary on improving efficiency in 1) marketing, 2) R&D, and 3) capital allocation hit on all the key challenges the company has struggled with in recent years. On marketing specifically, we think the expertise of new CEO Linda Findley and new CMO Amber Minson should prove valuable. We think the management team sees clear opportunity to adjust SNBR's marketing channel mix, communicate the technical features of SNBR's products in a clearer way, and better segment and target customers. This should help drive some better return on ad spend. For context, advertising accounts for ~14.5% of sales in recent years, and all-in sales & marketing accounts for nearly ~45% of sales). With EBITDA margins trending in the ~MSD range recently, even slight improvement could drive a meaningful impact to the P&L.

- Additional cost savings should help backstop profitability in '25, even if sales remain pressured:**

The company took actions, including eliminating 21% of corporate management roles across departments, which should drive an additional \$80-\$100m of cost outs on an annualized basis. Over the course of '23 and '24, it drove \$173m of savings, of which more than half was fixed in nature. This provides some credibility to SNBR's new program. Between this, and gross margins stabilizing above the 60% level, it should provide SNBR additional cushion to avoid triggering its debt covenants this year, even if sales remain pressured.

- What sales base is necessary to avoid tripping covenants?**

We think it's a useful exercise to work backwards from SNBR's 4Q debt covenant threshold, which is 4.35x debt/EBITDAR at the end of '25. If we assume rent of \$107m (current TTM run rate) and debt of \$940m (current balance incl. op leases), it

Equities

United States

Retailers, Specialty

12-month rating **Neutral ***

12m price target **US\$7.00**

Price (30 Apr 2025) **US\$7.79**

RIC: SNBR.O BBG: SNBR US

Trading data and key metrics

52-wk range	US\$20.41-4.71
Market cap.	US\$0.18b
Shares o/s	22.7m (COM)
Free float	97%
Avg. daily volume ('000)	753
Avg. daily value (m)	US\$6
Common s/h equity (12/25E)	US\$-0.45b
P/BV (12/25E)	NM
Net debt to EBITDA (12/25E)	NM

EPS (UBS, diluted) (USD)

	12/25E			
	From	To	% ch	Cons.
Q1	0.10	(0.38)	NM	(0.02)
Q2E	(0.01)	0.00	NM	(0.09)
Q3E	(0.02)	0.18	NM	(0.11)
Q4E	(0.11)	0.17	NM	(0.20)
12/25E	(0.03)	(0.03)	NM	(0.42)
12/26E	0.55	0.55	0	0.08
12/27E	0.80	0.85	7	0.61

Michael Lasser

Analyst

michael.lasser@ubs.com

+1-212-713 2440

Dan Silverstein

Analyst

daniel.silverstein@ubs.com

+1-212-713 2459

Mark Carden

Analyst

mark.carden@ubs.com

+1-212-713 3218

Highlights (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenues	2,114	1,887	1,682	1,504	1,614	1,675	1,721	1,769
EBIT (UBS)	68	39	41	44	54	61	66	68
Net earnings (UBS)	37	(3)	(6)	(1)	13	19	23	24
EPS (UBS, diluted) (US\$)	1.60	(0.14)	(0.25)	(0.03)	0.55	0.85	1.04	1.13
DPS (net) (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	2	3	2	52	180	172	192	212
Profitability/valuation	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
EBIT (UBS) margin %	3.2	2.0	2.4	2.9	3.3	3.7	3.9	3.9
ROIC (EBIT) %	(15.7)	(8.7)	(9.1)	(9.2)	(11.2)	(13.3)	(14.0)	(14.2)
EV/EBITDA (UBS core) x	7.6	4.9	2.9	1.7	1.6	1.6	1.5	1.4
P/E (UBS, diluted) x	28.1	NM	(55.1)	NM	14.0	9.2	7.5	6.9
Equity FCF (UBS) yield %	(3.7)	17.4	5.1	34.6	60.8	23.3	25.7	25.6
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 7.79 on 30-Apr-2025

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would imply EBITDA of around \$110m. If we make assumptions on how much of the \$80-100m of the cost savings occur in '25, and that SNBR can maintain a 60% + gross margin, it would imply a revenue base of around \$1.5bn is required. While that would imply sales are down around -11% YoY, it would still bake in some sequential improvement in top-line over the course of the year. This may be tough for the market to underwrite today. But, at a minimum, provides some frame of reference for investors.

- **The company offered some clarity on managing through tariffs:** While significant uncertainty remains, the company did provide a useful framework on its expected tariff exposure. It sees a potential \$30m cost drag based on current tariffs in place for '25, and a minimal impact in 2Q. It believes it can mitigate \$17m of this through other cost savings in the business and actions it can take in its supply chain, leaving \$13m of unmitigated cost remaining. This could pose a ~100bp drag to gross margins (which materialized at 61.2% in 1Q). But, the company believes it still has options to address this portion, including strategic price increases on certain products. Still, it's unclear what effect the tariffs will have on broader consumer confidence (the company pointed to this dipping lower in February when asked about its business outlook).
- **What new growth levers are likely to be explored?** Some of the most interesting commentary from SNBR's new CEO was around potential strategic initiatives. It commented that it is looking at all available options, including potentially some changes to its distribution model (e.g. possibly distributing through third-party retailers once again). In the past, the company found obstacles with 3P distribution due to the complexity of its products and the associated sales process. This often hampered conversion and required training costs that hurt the economics of this channel. But, our sense is that this could be a more viable option today, as recent product innovation has simplified some of the technology and functionality embedded in products. Given SNBR's differentiated product, it could be of particular interest to bedding retailers, in light of the changing competitive landscape in the industry.

How did SNBR's 1Q results stack up to expectations?

- **Sales decelerated sequentially, making it hard to call for a bottoming of estimates after the 1Q print.** Reported sales were down -16% YoY, below expectations of UBSe -14% and cons. -15%. This reflects a slight sequential deceleration on both a 1-year and 2-year basis from 4Q. While recent industry reads also reflect a sequential softening of demand trends compared to 4Q, the absolute decline of SNBR's sales leads us to believe that SNBR underperformed the industry. Given the uncertainties around the consumer spending environment for the rest of the year, this could add to the market's low expectations for what the company achieve over the next few quarters (it also didn't provide QTD commentary). This makes it hard for the market to call a bottom on forward estimates.
- **Gross margins continue to stabilize at an above ~60% rate:** Gross margins of 61.2% were up 250bps YoY, compared to UBSe 59.7% and cons. 59.4%. The YoY change was largely driven by operational efficiencies in its supply chain, manufacturing processes, and a benefit from product mix (ARU was up 4% YoY in 1Q).
- **SNBR drove further opex efficiencies irrespective of the go-forward restructuring program:** Total operating expenses on an adjusted basis were down \$23m YoY, continuing the trend of recent quarters. This reflected lower variable marketing and sales expenses, but likely some further structural cost-outs. So, SNBR has built a multi-quarter track record of driving efficiencies, providing some credibility to its future savings plan. For context, since the new CEO took charge, SNBR's 2Q'25 opex structure is down 10% relative to the base in 1Q'25.
- Taken together this drove adj. EBITDA of \$22m compared to UBSe and cons. of \$30m.

Maintain our PT and Neutral rating as risk-reward looks balanced.

We maintain our price target of \$7. This is based on ~12.5x our FY'26 adj. EPS estimate of \$0.55 (no change). While we lower our FY'25 and FY'26 revenue forecasts slightly, SNBR's additional cost savings leave our EPS estimates unchanged. See our detailed estimate revisions inside.

Figure 1: Estimate Changes

	Sleep Number Estimate Revisions								
	2Q'25E			FY'25E			FY'26E		
	Old Est.	New Est.	Diff	Old Est.	New Est.	Diff	Old Est.	New Est.	Diff
Revenue	371	358	(13)	1,543	1,504	(40)	1,622	1,614	(8)
Yr/Yr. Growth	-9.2%	-12.3%		-8.3%	-10.6%		5.1%	7.4%	
Comparable store sales %	-9.0%	-12.0%		-7.9%	-9.8%		4.5%	7.0%	
Gross Profit	223	215	(8)	930	914	(16)	981	983	2
Gross Profit %	60.1%	60.1%		60.3%	60.8%		60.5%	60.9%	
Yr/Yr. Change (bp)	100	100		65	116		21	10	
Sales and Marketing Expense	166	160	(6)	705	694	(10)	739	744	4
Yr/Yr. Growth	-9.3%	-12.5%		-8.1%	-9.4%		4.9%	7.1%	
Sales & Marketing Margin %	44.6%	44.6%	-0.1%	45.7%	46.2%	0.5%	45.6%	46.1%	0.5%
Yr/Yr. Change (bp)	(5)	(10)		8	60		(8)	(10)	
Operating Income	12	11	(0)	46	44	(3)	55	54	(2)
Yr/Yr. Growth	49.3%	44.0%		13.5%	7.1%		19.3%	22.6%	
Op. Income Margin %	3.2%	3.2%	0.0%	3.0%	2.9%	-0.1%	3.4%	3.3%	-0.1%
Yr/Yr. Change (bp)	125	125		58	48		41	41	
Net Interest Expense	-12	-11	1	-47	-43	4	-40	-38	2
Income Tax Expense	(0)	0		(0)	1		3	3	
Net Earnings from Cont. Ops	(0)	0	0	(1)	(1)	0	12	13	0
Diluted EPS - Adjusted	(\$0.01)	\$0.00	\$0.01	(\$0.03)	(\$0.03)	\$0.00	\$0.55	\$0.55	\$0.00
Diluted Shares Outstanding	22.6	22.7	0.1	22.6	22.7	0.1	22.6	22.7	0.1
Adj. EBITDA	\$25	\$26	\$1	\$102	\$110	\$8	\$111	\$109	(\$2)
EBITDA Margin %	6.8%	7.4%		6.6%	7.3%		6.8%	6.7%	

Source: UBS Estimates

Figure 2: SNBR Income Statement (\$ m, except per share)

	2023					2024					2025E					2026E				
	Mar-23	Jun-23	Sep-23	Dec-23	FY23	Mar-24	Jun-24	Sep-24	Dec-24	FY24	Mar-25	Jun-25E	Sep-25E	Dec-25E	FY25E	Mar-26E	Jun-26E	Sep-26E	Dec-26E	FY26E
	Days in Period	91	91	91	91	364	91	91	91	364	91	91	91	91	364	91	91	91	91	364
Net Sales	\$526.5	\$458.8	\$472.6	\$429.5	\$1,887.5	\$470.4	\$408.4	\$426.6	\$376.8	\$1,682.3	\$393.3	\$358.0	\$391.3	\$361.0	\$1,503.6	\$416.9	\$380.1	\$424.5	\$392.6	\$1,614.1
Cost of sales	216.3	194.5	201.5	186.6	799.0	194.3	166.9	167.1	151.2	679.5	152.7	142.7	151.3	143.1	589.8	161.5	151.2	163.7	155.2	631.6
Gross Profit from Retail Ops.	\$310.3	\$264.2	\$271.1	\$242.9	\$1,088.5	\$276.2	\$241.5	\$259.5	\$225.6	\$1,002.8	\$240.6	\$215.2	\$240.0	\$217.9	\$913.7	\$255.4	\$228.9	\$260.8	\$237.4	\$982.5
Sales and marketing expenses	230.5	197.8	221.1	199.0	847.4	208.5	182.4	205.5	170.2	766.6	189.1	159.5	186.1	159.5	694.2	200.0	189.0	201.5	173.1	743.6
Gen. & admin. expenses	39.4	39.6	31.9	35.5	146.6	39.1	39.6	33.1	38.2	150.0	38.6	34.1	28.8	34.3	135.8	40.1	35.5	30.4	36.5	142.5
Research and development	14.4	15.4	12.6	13.3	55.8	12.4	11.6	10.6	10.7	45.3	10.9	10.1	9.1	9.7	39.8	11.6	10.8	9.9	10.5	42.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	284.3	253.0	265.7	248.8	1,049.9	280.0	233.6	249.1	219.1	961.8	238.6	203.8	224.0	203.4	869.9	251.7	215.3	241.7	220.1	928.8
Operating Income	25.9	11.2	5.4	-3.9	38.7	16.1	7.9	10.4	6.5	40.9	1.9	11.4	16.0	14.5	43.8	3.7	13.7	19.1	17.3	53.7
Other income, net	-9.1	-9.9	-11.0	-12.7	-42.7	-12.3	-12.3	-12.1	-11.7	-48.4	-11.1	-11.4	-11.0	-9.7	-43.2	-10.0	-10.0	-9.0	-9.0	-38.0
Pretax Income	16.8	1.3	-5.6	-16.6	-4.0	3.8	-4.3	-1.7	-5.3	-7.4	-9.2	0.0	5.0	4.8	0.7	-6.3	3.7	10.1	8.3	15.7
Provision for Income Taxes	5.4	0.5	-3.3	-3.4	-0.8	3.2	-0.7	0.0	-4.3	-1.8	-0.6	0.0	1.0	1.0	1.4	-1.3	0.7	2.0	1.7	3.1
Net Income	11.5	0.8	-2.3	-13.1	-3.2	0.6	-3.7	-1.6	-1.0	-5.7	-8.6	0.0	4.0	3.8	-0.7	-5.0	2.9	8.0	6.7	12.6
Diluted EPS - adj.	\$0.51	\$0.03	(\$0.10)	(\$0.58)	(\$0.14)	\$0.03	(\$0.16)	(\$0.07)	(\$0.04)	(\$0.25)	(\$0.38)	\$0.00	\$0.18	\$0.17	(\$0.03)	(\$0.22)	\$0.13	\$0.35	\$0.29	\$0.55
Diluted Weighted Average Shares	22.6	22.5	22.5	22.5	22.5	22.5	22.6	22.6	22.6	22.6	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7
Adj. EBITDA	46.6	35.0	24.9	18.3	126.7	37.4	28.3	27.7	26.2	119.6	22.0	26.5	31.7	30.8	109.6	17.9	26.6	33.5	30.7	108.6
Yr./Yr. Change	99.6%	-49.9%	-18.4%	-21.9%	-14.4%	-23.0%	-19.1%	11.4%	43.2%	-5.6%	-41.1%	-6.4%	14.3%	17.6%	-8.3%	-18.9%	0.4%	5.8%	-0.4%	-0.9%
Adj. EBITDA Margin	9.2%	7.6%	5.3%	4.3%	6.7%	8.0%	6.9%	6.5%	7.0%	7.1%	5.6%	7.4%	8.1%	8.5%	7.3%	4.3%	7.0%	7.9%	7.8%	6.7%
Yr./Yr. Change	99.8%	-40.1%	-6.7%	-9.5%	-4.1%	-13.8%	-9.1%	23.4%	63.3%	5.9%	-29.5%	6.8%	24.6%	22.8%	2.6%	-23.5%	-5.4%	-2.5%	-8.4%	-7.7%
Margin Analysis - as a % of Revenues																				
Cost of Sales	41.1%	42.4%	42.6%	43.4%	42.3%	41.3%	40.9%	39.2%	40.1%	40.4%	38.8%	39.9%	38.7%	39.6%	39.2%	38.7%	39.8%	38.6%	39.5%	39.1%
Gross Profit	58.9%	57.6%	57.4%	56.6%	57.7%	58.7%	59.1%	60.8%	59.9%	59.6%	61.2%	60.1%	61.3%	60.4%	60.8%	61.3%	60.2%	61.4%	60.5%	60.9%
Yr./Yr. Change (bp)	158	(158)	129	189	81	(22)	153	348	331	194	246	100	50	50	116	10	10	10	10	10
Sales and marketing expenses	43.8%	43.1%	46.8%	46.1%	44.9%	44.3%	44.7%	48.2%	45.2%	45.6%	48.1%	44.6%	47.6%	44.2%	46.2%	48.0%	44.5%	47.5%	44.1%	46.1%
Yr./Yr. Change (bp)	(180)	295	245	204	140	55	155	138	(93)	67	376	(10)	(80)	(100)	60	(10)	(10)	(10)	(10)	(10)
General and administrative expenses	7.5%	8.7%	6.8%	8.3%	7.8%	8.3%	9.7%	7.8%	10.1%	8.9%	9.8%	9.5%	7.4%	9.5%	9.0%	9.6%	9.3%	7.2%	9.3%	8.8%
Yr./Yr. Change (bp)	(36)	162	10	78	52	82	102	99	109	115	151	(15)	(40)	(65)	12	(20)	(20)	(20)	(21)	(21)
Research and development	2.7%	3.4%	2.7%	3.1%	3.0%	2.6%	2.8%	2.5%	2.8%	2.7%	2.8%	2.8%	2.3%	2.7%	2.6%	2.8%	2.8%	2.3%	2.7%	2.6%
Yr./Yr. Change (bp)	(35)	49	(6)	15	5	(10)	(53)	(19)	(26)	(27)	13	(0)	(15)	(15)	(4)	-	0	0	0	(0)
Operating Income	4.9%	2.4%	1.1%	-0.9%	2.0%	3.4%	1.9%	2.4%	1.7%	2.4%	0.5%	3.2%	4.1%	4.0%	2.9%	0.9%	3.6%	4.5%	4.4%	3.3%
Yr./Yr. Change (bp)	409	(664)	(120)	(109)	(116)	(149)	(50)	130	262	39	(295)	125	165	230	48	40	40	40	40	41
Pretax Income from Retail Operations	3.2%	0.3%	-1.2%	-3.9%	-0.2%	0.8%	-1.1%	-0.4%	-1.4%	-0.4%	-2.3%	0.0%	1.3%	1.3%	0.0%	-1.5%	1.0%	2.4%	2.1%	1.0%
Income Tax Rate	31.9%	41.0%	58.4%	20.7%	19.5%	84.2%	15.4%	1.4%	81.4%	23.6%	6.4%	20.0%	20.0%	20.0%	211.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income from Retail Operations	2.2%	0.2%	-0.5%	-3.1%	-0.2%	0.1%	-0.9%	-0.4%	-0.3%	-0.3%	-2.2%	0.0%	1.0%	1.1%	0.0%	-1.2%	0.8%	1.9%	1.7%	0.8%
Year/Year Growth Rates																				
Comparable Store Sales	-2.0%	-18.0%	-14.0%	-14.0%	-11.6%	-11.0%	-11.0%	-9.0%	-12.0%	-10.7%	-15.0%	-12.0%	-8.0%	-4.0%	-9.8%	6.0%	6.0%	8.0%	8.0%	7.0%
Net Sales	-0.1%	-16.4%	-12.6%	-13.7%	-10.7%	-10.7%	-11.0%	-9.7%	-12.3%	-10.9%	-16.4%	-12.3%	-8.3%	-4.2%	-10.6%	6.0%	6.2%	8.5%	8.8%	7.4%
Cost of sales	-3.8%	-13.2%	-15.1%	-17.3%	-12.4%	-10.2%	-14.2%	-17.1%	-19.0%	-14.9%	-21.4%	-14.5%	-9.4%	-5.4%	-13.2%	5.7%	5.9%	8.2%	8.5%	7.1%
Gross Profit from Retail Operations	2.6%	-18.7%	-10.6%	-10.7%	-9.5%	-11.0%	-8.6%	-4.3%	-7.1%	-7.9%	-12.9%	-10.9%	-7.5%	-3.4%	-8.9%	6.2%	6.4%	8.6%	8.9%	7.5%
Sales and Marketing Expense	-4.1%	-10.3%	-7.7%	-9.7%	-7.8%	-9.5%	-7.8%	-7.1%	-14.0%	-9.5%	-9.3%	-12.5%	-9.4%	-6.3%	-9.4%	5.8%	6.0%	8.2%	8.5%	7.1%
Operating Income	487.4%	-77.5%	-57.4%	-525.0%	-43.0%	-37.8%	-29.3%	93.1%	-266.7%	5.9%	-88.2%	44.0%	53.8%	124.3%	7.1%	93.3%	19.5%	19.1%	19.6%	22.6%
Pre-tax earnings	635.6%	-97.2%	-179.2%	146.4%	-108.2%	-77.2%	-438.9%	-70.3%	-68.1%	84.4%	-338.6%	-100.8%	-401.8%	-190.8%	-108.8%	-31.2%	10864.1%	101.1%	73.8%	2306.7%
Net Income	452.8%	-97.8%	-146.1%	142.0%	-108.8%	-94.7%	-585.8%	-29.6%	-92.5%	75.1%	-1516.8%	-100.7%	-345.0%	-491.0%	-87.2%	-41.2%	10864.1%	101.1%	73.8%	-1834.1%
Diluted EPS	477.5%	-97.8%	-146.2%	139.5%	-109.0%	-94.7%	-583.4%	-30.1%	-92.6%	74.4%	-1504.4%	-100.7%	-344.3%	-489.2%	-87.3%	-41.2%	10864.1%	101.1%	73.8%	-1834.1%
Shares outstanding - diluted	-4.3%	-0.9%	-0.4%	1.1%	-1.5%	-0.3%	0.5%	0.7%	0.5%	0.4%	0.9%	0.4%	0.3%	0.4%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: UBS Estimates

Sleep Number Corp (SNBR.O)

	12/22	12/23	12/24	12/25E	%ch	12/26E	%ch	12/27E	12/28E	12/29E
Income Statement (US\$m)										
Revenues	2,114	1,887	1,682	1,504	-10.6	1,614	7.4	1,675	1,721	1,769
Gross profit	1,202	1,089	1,003	914	-8.9	983	7.5	1,019	1,048	1,077
EBITDA (UBS)	135	113	107	106	-1.5	109	2.8	112	118	121
Depreciation & amortisation	(67)	(74)	(66)	(62)	6.8	(55)	11.3	(50)	(52)	(53)
EBIT (UBS)	68	39	41	44	7.1	54	22.6	61	66	68
Associates & investment income	(19)	(43)	(48)	(43)	10.7	(38)	12.0	(38)	(38)	(38)
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	0	0	0	0	-	0	-	0	0	0
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	49	(4)	(7)	1	-	16	NM	23	28	30
Tax	(12)	1	2	(1)	-	(3)	-128.1	(5)	(6)	(6)
Profit after tax	37	(3)	(6)	(1)	87.2	13	-	19	23	24
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	37	(3)	(6)	(1)	87.2	13	-	19	23	24
Net earnings (UBS)	37	(3)	(6)	(1)	87.2	13	-	19	23	24
Tax rate (%)	25.1	0.0	0.0	211.0	-	20.0	-90.5	20.0	20.0	20.0
Per Share (US\$)										
EPS (UBS, diluted)	1.60	(0.14)	(0.25)	(0.03)	87.3	0.55	-	0.85	1.04	1.13
EPS (local GAAP, diluted)	1.60	(0.14)	(0.25)	(0.03)	87.3	0.55	-	0.85	1.04	1.13
EPS (UBS, basic)	1.64	(0.15)	(0.26)	(0.03)	87.3	0.57	-	0.87	1.07	1.16
DPS (net) (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted) ¹	4.55	3.15	2.69	2.69	0.2	2.97	10.4	3.13	3.42	3.60
Book value per share	(19.41)	(19.66)	(19.94)	(20.38)	-2.2	(12.51)	38.6	(13.80)	(13.46)	(12.88)
Average shares (diluted)	23	23	23	23	0.5	23	0.0	22	22	21
Balance Sheet (US\$m)										
Cash and equivalents	2	3	2	52	NM	180	248.2	172	192	212
Other current assets	196	204	179	154	-14.1	197	28.1	204	208	213
Total current assets	198	206	181	206	13.6	378	83.5	375	400	425
Net tangible fixed assets	201	180	130	93	-28.1	69	-26.0	52	37	24
Net intangible fixed assets	68	67	66	66	-0.1	66	0.0	66	66	66
Investments / other assets	488	499	484	439	-9.3	442	0.8	447	451	456
Total assets	954	951	861	804	-6.6	955	18.8	940	954	972
Trade payables & other ST liabilities	930	936	908	869	-4.3	842	-3.1	844	842	839
Short term debt	0	0	0	0	-	0	-	0	0	0
Total current liabilities	930	936	908	869	-4.3	842	-3.1	844	842	839
Long term debt	0	0	0	0	-	0	-	0	0	0
Other long term liabilities	462	457	404	388	-4.1	391	0.8	395	398	402
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	1,392	1,393	1,312	1,257	-4.2	1,233	-1.9	1,238	1,241	1,242
Common s/h equity	(438)	(442)	(452)	(453)	-0.2	(278)	38.6	(298)	(286)	(270)
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	954	951	861	804	-6.6	955	18.8	940	954	972
Cash Flow (US\$m)										
Net income (before pref divs)	37	(3)	(6)	(1)	87.2	13	-	19	23	24
Depreciation & amortisation	67	74	66	62	-6.8	55	-11.3	50	52	53
Net change in working capital	(73)	83	(21)	25	-	71	183.2	6	7	9
Other operating	0	0	0	0	-	0	-	0	0	0
Operating cash flow	31	154	39	86	118.7	138	60.6	75	82	86
Tangible capital expenditure	(69)	(57)	(24)	(25)	-6.1	(31)	-22.9	(33)	(36)	(41)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	0	(1)	0	0	-	0	-	0	0	0
Investing cash flow	(69)	(58)	(23)	(25)	-6.9	(31)	-22.9	(33)	(36)	(41)
Equity dividends paid	0	0	0	0	-	0	-	0	0	0
Share issues / (buybacks)	(63)	(3)	(1)	(1)	26.7	0	-	(50)	(25)	(25)
Other financing	(1)	(2)	0	(2)	-	0	-	0	0	0
Change in debt & pref shares	0	0	0	0	-	0	-	0	0	0
Financing cash flow	(64)	(5)	(1)	(2)	-176.2	0	-	(50)	(25)	(25)
Cash flow inc/(dec) in cash	(102)	91	15	59	287.1	108	82.2	(9)	20	20
FX / non cash items	101	(90)	(16)	(9)	41.8	21	-	0	0	0
Balance sheet inc/(dec) in cash	(1)	1	(1)	50	-	129	158.0	(9)	20	20

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Sleep Number Corp (SNBR.O)

Valuation (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
P/E (local GAAP, diluted)	28.1	NM	NM	NM	14.0	9.2	7.5	6.9
P/E (UBS, diluted)	28.1	NM	(55.1)	NM	14.0	9.2	7.5	6.9
P/CEPS	9.7	7.7	5.0	2.8	2.6	2.4	2.2	2.1
Equity FCF (UBS) yield %	(3.7)	17.4	5.1	34.6	60.8	23.3	25.7	25.6
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV	NM	NM	NM	NM	NM	NM	NM	NM
EV/revenues (core)	0.5	0.3	0.2	0.1	0.1	0.1	0.1	0.1
EV/EBITDA (UBS core)	7.6	4.9	2.9	1.7	1.6	1.6	1.5	1.4
EV/EBIT (core)	15.2	14.4	7.6	4.0	3.3	2.8	2.6	2.6
EV/OpFCF (core)	9.6	6.2	3.2	1.8	1.8	1.8	1.7	1.7
EV/op. invested capital	NM	NM	NM	NM	NM	NM	NM	NM
Enterprise value (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Market cap.	1,031	558	312	177	177	177	177	177
Net debt (cash)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	1,029	556	310	175	175	175	175	175
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	1,029	556	310	175	175	175	175	175
Growth (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenue	(3.2)	(10.7)	(10.9)	(10.6)	7.4	3.8	2.8	2.8
EBITDA (UBS)	(46.7)	(16.7)	(4.8)	(1.5)	2.8	2.8	5.7	2.8
EBIT (UBS)	(64.9)	(43.0)	5.9	7.1	22.6	14.4	8.1	2.8
EPS (UBS, diluted)	(74.0)	-	(74.4)	87.3	-	53.2	22.9	8.0
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Gross profit margin	56.9	57.7	59.6	60.8	60.9	60.9	60.9	60.9
EBITDA margin	6.4	6.0	6.4	7.0	6.7	6.7	6.9	6.9
EBIT (UBS) margin	3.2	2.0	2.4	2.9	3.3	3.7	3.9	3.9
Net earnings (UBS) margin	1.7	NM	NM	0.0	0.8	1.1	1.3	1.4
ROIC (EBIT)	NM	NM	NM	NM	NM	NM	NM	NM
ROIC post tax	NM	NM	NM	10.2	NM	NM	NM	NM
ROE (UBS)	(8.5)	0.7	1.3	0.2	(3.4)	(6.5)	(7.8)	(8.7)
Capital structure & Coverage (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Net debt / EBITDA	0.0	0.0	0.0	(0.5)	(1.7)	(1.5)	(1.6)	(1.7)
Net debt / total equity %	0.4	0.6	0.4	11.4	64.9	57.6	67.0	78.6
Net debt / (net debt + total equity) %	0.4	0.6	0.4	10.3	39.4	36.5	40.1	44.0
Net debt/EV %	(0.2)	(0.4)	(0.7)	(15.4)	(66.4)	NM	NM	NM
Capex / depreciation %	103.0	77.1	35.4	40.3	55.9	66.7	70.0	76.7
Capex / revenue %	3.3	3.0	1.4	1.7	1.9	2.0	2.1	2.3
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	2,114	1,887	1,682	1,504	1,614	1,675	1,721	1,769
Total	2,114	1,887	1,682	1,504	1,614	1,675	1,721	1,769
EBIT (UBS) by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	68	39	41	44	54	61	66	68
Total	68	39	41	44	54	61	66	68

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-10.1%
Forecast dividend yield	0.0%
Forecast stock return	-10.1%
Market return assumption	8.6%
Forecast excess return	-18.8%

Company Description

Sleep Number is a designer, manufacturer, marketer, retailer and servicer of a line of Sleep Number beds. All the company's beds come with SleepIQ technology sensors that work directly with the bed's DualAir technology. The company offers its beds in a range of sizes, including twin, full, queen, eastern king, and California king.

Valuation Method and Risk Statement

Investing in retail stocks entails certain risks, including but not limited to changes in consumer spending and its components, retail industry competition and general market risk. In addition, the mattress industry also has further risks as mattresses are an easy purchase to defer and the manufacturers are heavily dependent on advertising to drive sales. Further, there is also a risk of new online players becoming more relevant and capturing share at the expense of traditional players. Our price target is based on a multiples analysis.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Sleep Number Corp

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	2
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of: (1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	2
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

Required Disclosures

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	52%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	20%
Sell	FSR is > 6% below the MRA.	8%	22%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2025.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Consultation (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities LLC: Dan Silverstein, Henry Carr, Mark Carden, Mathew Rothway, Michael Lasser, Sachin Verma, Zeyn Burak.

Company Disclosures

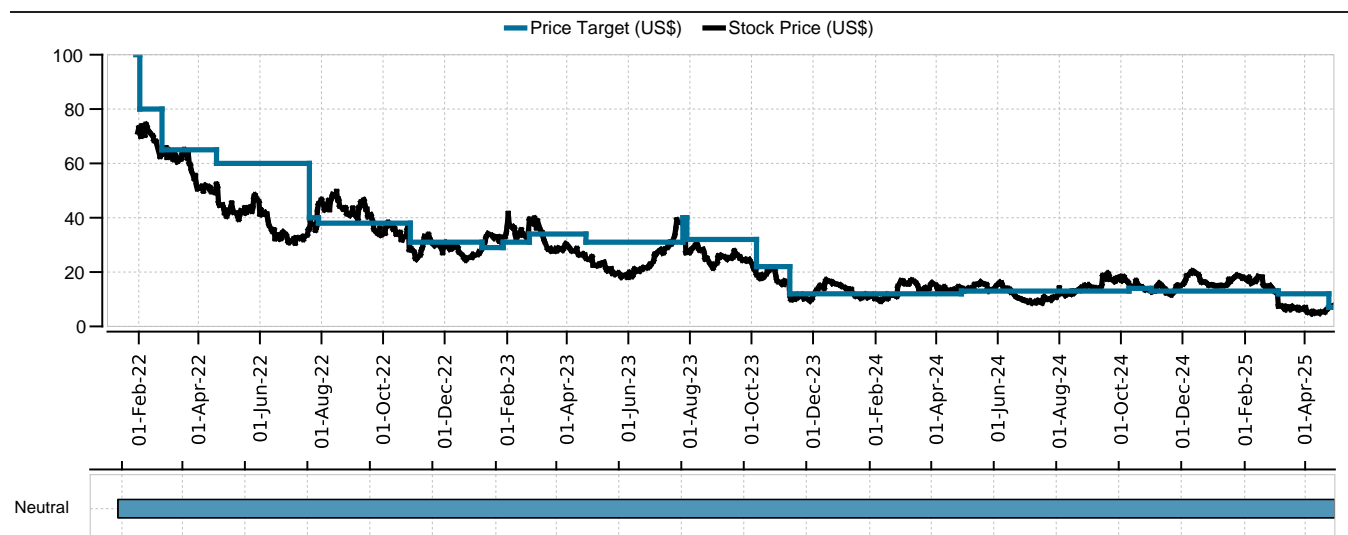
Company Name	Reuters	12-month rating	Price	Price date
Sleep Number Corp ^{16,28,20}	SNBR.O	Neutral (CBE)	US\$7.79	30 Apr 2025

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

- 16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
- 20. Because this security exhibits higher-than-average volatility, the FSR has been set at 25% above the MRA for a Buy rating, and at -25% below the MRA for a Sell rating (compared with 6/-6% under the normal rating system).
- 28. UBS holds a long or short position of 0.5% or more of the listed shares of this company.

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Sleep Number Corp (US\$)



Date	Stock Price (US\$)	Price Target (US\$)	Rating
2022-01-28	72.72	100.00	Neutral
2022-02-01	73.02	80.00	Neutral
2022-02-23	64.65	65.00	Neutral

Date	Stock Price (US\$)	Price Target (US\$)	Rating
2022-04-18	49.16	60.00	Neutral
2022-07-19	35.59	40.00	Neutral
2022-07-28	42.89	38.00	Neutral
2022-10-27	28.23	31.00	Neutral
2023-01-06	27.93	29.00	Neutral
2023-01-27	32.78	31.00	Neutral
2023-02-22	34.90	34.00	Neutral
2023-04-19	26.25	31.00	Neutral
2023-07-24	38.16	40.00	Neutral
2023-07-28	27.17	32.00	Neutral
2023-10-05	21.10	22.00	Neutral
2023-11-07	16.03	12.00	Neutral
2024-04-25	14.23	13.00	Neutral
2024-10-08	16.33	14.00	Neutral
2024-10-30	13.23	13.00	Neutral
2025-03-05	12.89	12.00	Neutral
2025-04-24	6.57	7.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 30-Apr-2025. All prices as of local market close. Ratings as of date shown.

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