



## Select Comfort Corporation 2016 Fact Sheet

Select Comfort Corporation (NASDAQ: SCSS) is a sleep innovation leader that delivers unparalleled sleep experiences. Nearly 30 years ago, Sleep Number transformed the mattress industry with the idea that ‘one size does not fit all’ when it comes to sleep. Today, we provide consumers with high quality, individualized sleep solutions through our complete line of Sleep Number® beds and bedding. Based in Minneapolis with 3,600 employees and over 500 U.S. stores, our revenues in fiscal 2015 were \$1.2 billion.

### Our business

We are the exclusive designer, manufacturer, marketer, retailer and servicer of a complete line of Sleep Number beds and bedding. This vertically integrated business model allows us to provide a seamless end-to-end customer experience. Unlike traditional mattress manufacturers that primarily sell through third-party retailers, more than 98 percent of our net sales are directly to consumers.

Our innovative products deliver higher quality sleep, validated by third-party consumer satisfaction awards – and our own research. The benefits of our proprietary Sleep Number bed have been validated through clinical sleep research, which has shown that participants who slept on a Sleep Number bed generally fell asleep faster, experienced more deep sleep with fewer disturbances and experienced greater relief from back pain than those sleeping on a traditional innerspring mattress. In addition, only the Sleep Number bed offers [SleepIQ® technology](#) — proprietary sensor technology that works directly with the bed’s DualAir™ system to track and monitor each individual’s sleep. SleepIQ technology communicates how you slept and what adjustments you can make to optimize your sleep and improve your daily life.

The company’s presence has evolved from a small kiosk in a mall in Roseville, Minnesota in 1992 to a retailer with a national store footprint and products exclusively sold through Sleep Number® stores and [sleepnumber.com](#). Our average sales-per-square foot is in the top 10 among U.S. specialty retailers and is driven by a differentiated store experience and modern store design.

As we have transformed our company to stay ahead of consumer trends, technology and the competitive landscape, we have held onto our longstanding tradition of acting with integrity and keeping the customer at the heart of our decision making. For the second year in a row, Select Comfort was named in 2016 to Forbes’ annual list of the [100 Most Trustworthy Companies In America](#). Forbes’ researchers screened more than 2,500 publicly traded non-financial American companies with market caps of \$250 million or more to identify the 100 that most “consistently demonstrated transparent accounting practices and solid corporate governance.”

### Our products

Our complete line of Sleep Number products includes:

- **Mattresses** – We offer a range of mattresses, all with adjustable firmness:

- **The Classic Series** provides adjustability on each side of the bed featuring regular and plush style mattresses.
  - **The Performance Series** balances softness and pressure-relieving support.
  - **The Memory Foam Series** offers breathable, contouring memory foam with Sleep Number adjustability.
  - **The Innovation Series** provides individualized comfort and temperature-balancing innovation.
  - **The x12 bed** integrates multiple technology options, including our exclusive FlexFit™ 3 adjustable base and SleepIQ® technology.
  - **The SleepIQ Kids™** bed features our core adjustability and SleepIQ technology for the children’s mattress market and is the only bed that adjusts with children as they grow.
  - **The it™ bed** by Sleep Number adjusts on each side, communicates how well each person slept and connects with health apps and sleep environment devices. Together, these technologies identify variables that impact sleep quality and gives people insights to optimize their sleep.
  - **Sleep Number 360™ smart bed**, which is powered by SleepIQ® technology, intuitively senses and automatically adjusts comfort to keep both partners sleeping soundly all night, automatically detects snoring and adjusts, warms the foot of the bed with Rapid Sleep Onset™ technology and offers a smart alarm feature to awaken the user at the optimal moment.
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- **Bases** – Our Flexfit™ adjustable bases give consumers the ability to raise and lower the head and foot of their beds to relieve pressure, help reduce snoring and provide comfort and relaxation for reading or watching TV.
  - **Pillows** – Our selection of pillows improves comfort and support with the proper firmness, fill and fit to improve each person’s sleep experience.
  - **Bedding** – From temperature balancing to allergy relief, our bedding also helps people know better sleep.

### **Our technology**

SleepIQ technology integrated into the bed tracks a person’s sleep, offers insights and makes suggestions to help people achieve the best sleep of their life. Touch-free, biometric sensors track the sleeper’s whole body hundreds of times per second (heart and breathing rates, presence and restfulness).

Based on individual SleepIQ® data, the technology learns the person’s routine and uses adaptive algorithms and predictive modeling to recommend adjustments to daily habits and environment. The SleepIQ® API (Application Program Interface) can connect to an individual’s other cloud services and track items important to them – including exercise, nutrition, environment, temperature, schedules and individualized comfort – every day and night so people can be smarter about their sleep.

Research shows that customers who adjust the firmness of their bed – their Sleep Number® setting – are 58 percent more likely to have improved sleep quality as measured by restful time in bed using SleepIQ technology to track and optimize their sleep.

In September 2015, we completed the acquisition of BAM Labs, Inc., the Silicon Valley pioneer of biometric sensor and sleep monitoring. The acquisition strengthened our leadership in sleep technology with unprecedented data and connected product capabilities. We had partnered with BAM since 2012 to develop and commercialize SleepIQ technology. BAM now operates as SleepIQ Labs. The deeper collaboration of our teams has resulted in acceleration of our innovation pipeline, efficiencies in our product development cycle and our ability to deliver meaningful consumer benefits.

SleepIQ® technology generates more than one billion biometric data points a night and facilitates daily interactions with customer data and insights to inform decision making and product development. This biometric data advances smart, connected products that empower our customers with the knowledge to adjust for their best sleep.

### **Our stores**

At our more than 500 Sleep Number® stores in 50 U.S. states, we offer an interactive, educational experience that is distinctly different from other retailers. For the second year in a row, Sleep Number was recognized in 2016 with the Silver Outstanding International Store Design Award from the Association of Retail Environments.

Our modern store design features the complete line of Sleep Number® beds and SleepIQ technology. With the help of a Sleep Professional, customers experience IndividualFit® 3-D Imaging, a digital map that displays the body's pressure points. Starting with a firm mattress, customers watch the pressure dissipate as the bed adjusts to their body to alleviate discomfort and find their Sleep Number – the ideal setting for a better night's sleep. Sleep Professionals listen and guide shoppers to the right solutions that help them know better sleep, including bedding solutions to address common sleep problems like allergies and temperature swings and the PillowFit® experience that helps customers find a pillow that perfectly fits their needs.

Our retail strategy integrates our physical and digital Sleep Number experience. Within our physical stores, our average sales per full-time employee are 50 percent higher than other top U.S. specialty retail brands. The digital Sleep Number experience focuses on engagement with new customers and deepening relationships with existing customers. Elements of our store sales process are built into the digital experience to improve consumer research and conversion. We continue to advance the productivity of SleepNumber.com, where customers learn about our products, find their nearest store location and purchase online.

### **Our leadership team**

Select Comfort's leadership team is committed to creating long-term shareholder value and ensuring that our innovation strategy is aligned with the changing consumer, technology and competitive landscape. Our leadership team includes:

- Shelly R. Ibach, President and Chief Executive Officer

- Melissa Barra, Senior Vice President, Chief Strategy and Customer Relationship Officer
- Annie L. Bloomquist, Senior Vice President and Chief Product Officer
- Kevin K. Brown, Senior Vice President and Chief Marketing Officer
- David R. Callen, Senior Vice President and Chief Financial Officer
- Andy P. Carlin, Executive Vice President and Chief Sales and Service Officer
- Patricia A. Dirks, Senior Vice President and Chief Human Capital Officer
- Mark A. Kimball, Senior Vice President and Chief Legal and Risk Officer and Secretary
- Suresh Krishna, Senior Vice President and Chief Operations, Supply Chain and Lean Officer
- Hunter Saklad, Senior Vice President, Chief Information Officer

## **Our history**

Sleep Number has evolved from a 1-800 direct marketing mattress company aimed at helping people with back pain, to a national consumer lifestyle brand with technology as our differentiator.

Key milestones in our history:

- 1987 – Select Comfort founded
- 1992 – First Sleep Number® store opens in Rosedale Mall, Roseville, Minn.
- 1997 – Sleep Number manufacturing plant opens in Irmo, S.C.
- 1998 – Select Comfort becomes a publicly traded company listed on The NASDAQ Stock Market (NASDAQ Global Select Market) under the symbol “AIRB”
- 1999 – Sleep Number manufacturing plant opens in Salt Lake City, U.T.
- 2000 – Select Comfort’s Stock Market symbol changes from “AIRB” to “SCSS”
- 2000 – Launched sleepnumber.com
- 2000 – First sale of a Sleep Number® bed on QVC
- 2000 – First Sleep Number bed home delivery
- 2007 – U.S. housing bubble burst
- 2008 – U.S. banking crisis
- 2009 – First Sleep Number non-mall store opening
- 2009 – Select Comfort survives the resulting market downturn and near bankruptcy
- 2010 – Began operating in non-mall locations to help build store and brand awareness
- 2010 – Discontinued distribution through non-company-owned mattress retailers in the contiguous U.S.
- 2012 – Shelly Ibach appointed President and CEO of Select Comfort
- 2013 – Acquired Comfortaire® Corporation
- 2014 – Introduced SleepIQ® technology and The SleepIQ Kids™ bed
- 2014 – Launched the Know Better Sleep® campaign, featuring the consumer benefits of our latest sleep innovations
- 2015 – Acquired BAM Labs
- 2015 – J.D. Power announces Sleep Number ranks highest in customer satisfaction with mattresses
- 2015 – Introduced it™ bed at Consumer Electronics Show
- 2016 – Introduced the Sleep Number 360™ smart bed at Consumer Electronics Show

- 2016 – J.D. Power announces Sleep Number ranks highest in customer satisfaction with mattresses, two years in a row

#### **Manufacturing, distribution and service**

- **Manufacturing** – We manufacture all Sleep Number beds at our U.S. production facilities. We have manufacturing plants located in Irmo, S.C., and Salt Lake City, U.T. At these two facilities, employees perform quilting and sewing of the fabric covers for our beds and final assembly and packaging of mattresses and bases. Our electrical Firmness Control™ systems also are assembled in our Utah plant. We have one manufacturing plant in Greenville, South Carolina that assembles, packages and distributes Comfortaire® mattresses and bases.
- **Delivery** – We offer Comfort Service<sup>SM</sup> home delivery and setup, which includes assembly and mattress removal. In selected markets, we provide home delivery, assembly and mattress removal services through third-party providers.
- **Service** – We maintain an in-house customer service department staffed by teams of specialists that provide service and support via phone, email, “live chat” and social media. Our customer service team is central to an ongoing relationship with our customers. Direct access to our customers also provides insights and identifies emerging trends as we work to continuously improve our product and service quality and advance product innovation.

#### **Awards and recognition**

Select Comfort has received the following awards and recognition for our company and our Sleep Number® products:

- Sleep Number x12 bed 2014 CES Innovations Award honoree, Home Appliances, International Consumer Electronics Show
- Sleep Number x12 bed 2014 CES honoree, Fitness, Sports and Biotech, International Consumer Electronics Show
- Sleep Number received Very Innovative Product Award for DualTemp™ layer from *Good Housekeeping* in 2014
- Sleep Number i8 bed rated #1 by a leading consumer magazine, 2014, 2015 and 2016
- SleepIQ Kids™ bed 2015 CES Innovations Award honoree, Home Appliances, International Consumer Electronics Show
- Select Comfort recognized by Twin Cities Business Magazine in 2016 for achieving “Special Distinction” status in the 2015 Minnesota Census of Women in Corporate Leadership Honor Roll; this “special distinction” honor recognizes companies with at least 30 percent gender diversity in corporate director and executive officer roles
- J.D. Power ranked Sleep Number “Highest in Customer Satisfaction with Mattresses” in 2015; the report measured satisfaction with mattress purchases based on comfort, price, support, durability, warranty, features and customer service
- Sleep Number c2 bed rated Best Buy by a leading consumer magazine, 2015 and 2016
- Sleep Number rated Best Bed for Couples by a leading consumer magazine, 2015 and 2016
- it™ bed by Sleep Number named 2016 CES Innovation Awards honoree, Fitness, Sports and Biotech, International Consumer Electronics Show

- it™ bed by Sleep Number named 2016 CES Innovation Awards honoree, Home Appliances, International Consumer Electronics Show
- it™ bed by Sleep Number selected as Women’s Health Editor’s Choice, CES 2016
- it™ bed by Sleep Number received Editor’s Choice award from Reviewed.com, a division of USA Today, in 2016
- Select Comfort named to Forbes’ annual list of the [100 Most Trustworthy Companies In America](#) in 2016
- Select Comfort received the Silver Outstanding International Store Design Award from the Association of Retail Environments in 2016
- Sleep Number received the Silver Award for the Hardline Specialty Store Category from the Association of Retail Environments in 2016
- Sleep Number received the Gold Award for the Outlet Category from the Association Retail Environments in 2016
- Sleep Number i8 bed received Highest Overall Rating by a leading consumer magazine, 2016
- Sleep Number c2 and i8 beds rated Best for Back and Side Support by a leading consumer magazine, 2016
- Sleep Number 360™ smart bed named 2016 CES Best of Innovation honoree, Home Appliances
- Sleep Number 360™ smart bed named 2016 CES Innovation Awards honoree, Smart Home
- Sleep Number 360™ smart bed named 2016 CES Innovation Awards honoree, Embedded Technologies
- J.D. Power ranked Sleep Number “Highest in Customer Satisfaction with Mattresses” in 2016

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