

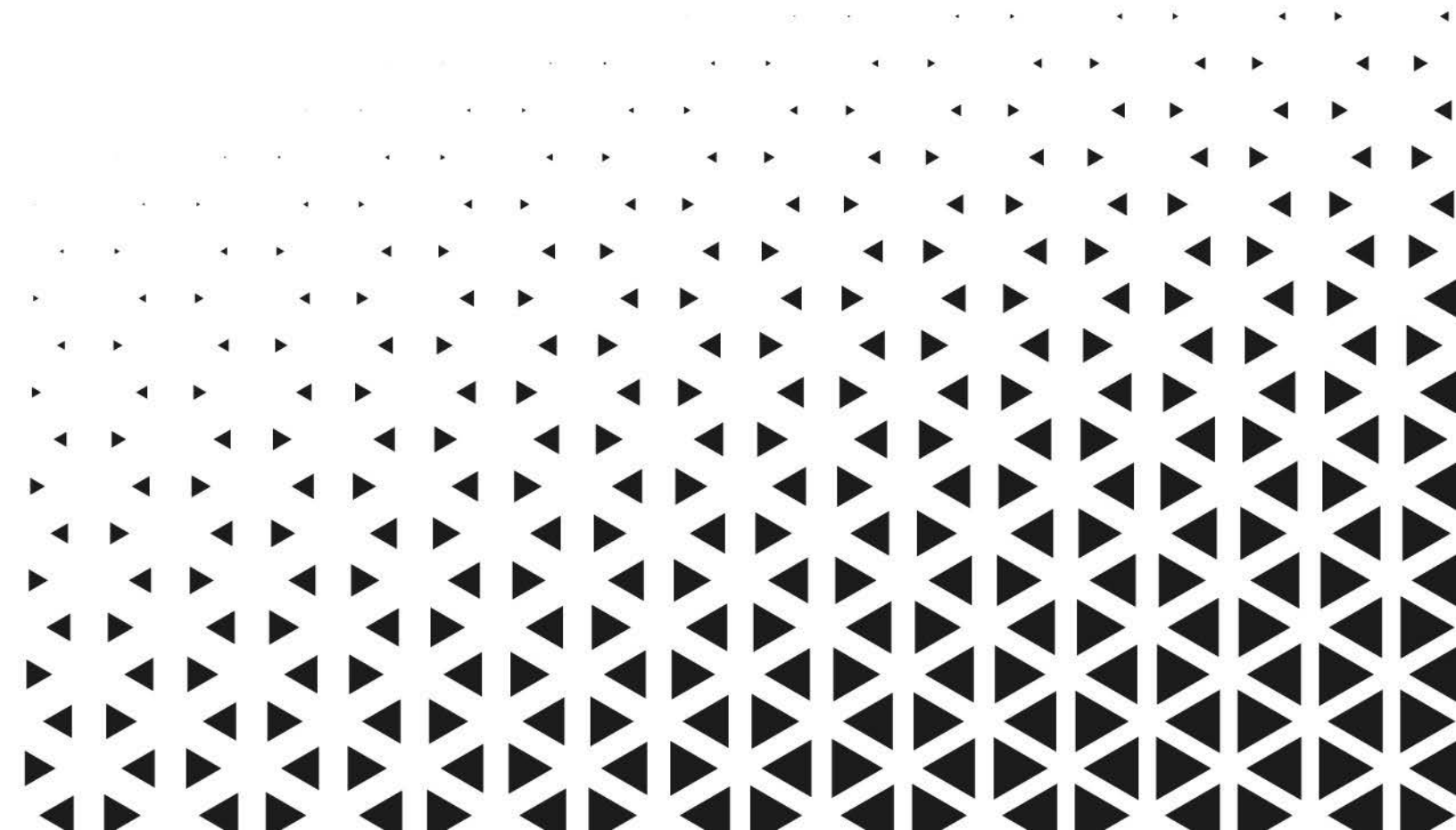
sleep  number.

**Proxy Statement and Annual Report**  
**Sleep Number Corporation**  
**2026 Annual Meeting**





**NOTICE OF 2026 ANNUAL MEETING  
AND PROXY STATEMENT  
FOR MAY 21, 2026**





Dear Fellow Shareholders,

Sleep Number is in a turnaround. I joined the Company in April 2025 and from day one, we were focused on driving value for shareholders, customers and team members.

In the first few months of my tenure, we created a more streamlined operation to ensure quicker decision making, reduced costs across the business by \$136 million<sup>(1)</sup> as compared to 2024, excluding restructuring and other non-recurring costs, and executed an amendment and extension of our bank agreement through the end of 2027.

This work has allowed us to create a strong foundation to continue to further our efforts. Our strategy forward is called *Sleep Number Shifts*. It is a focused, company-wide effort to reposition our brand, expand our reach to new customer groups, and reignite growth.

We are refocusing on the consumer and setting the Company up for sustainable growth. Our efforts are focused on three main initiatives that we believe will transform Sleep Number:

- First, Products: We are simplifying our offering with the goal of growing our new customer base while building on the demand from our repeat customers,
- Second, Marketing: We are reshaping our marketing and creative to better connect with today's consumer and drive engagement with a focus on better return on investment, and
- Third, Distribution: While we continue to see benefits in our vertically integrated model, we believe there are opportunities to expand distribution into new channels, both physical and digital.

We still have a lot of work ahead of us, and I am optimistic about Sleep Number. This is a powerful brand, with a highly differentiated product. We have 3,100 dedicated team members with a renewed passion for fast action and a commitment to our purpose of improving lives by personalizing sleep.

In addition to executing against our strategic business objectives, the Board and management are committed to continuing to enhance the Company's governance. Specifically, Proposals 2, 3 and 4 require an affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date. While support for all of these proposals was very high with voting shareholders at the 2025 Annual Meeting, at over 98% approval from voting shareholders, we were short of obtaining the required affirmative vote of two-thirds of the shares of common stock outstanding last year. These matters are important to shareholders and we remain committed to obtaining the votes required to pass each proposal.

We appreciate your support and we look forward to keeping you updated on our efforts throughout the year.

Sincerely,

A handwritten signature in cursive script that reads "Linda Findley".

Linda Findley  
Board Member  
President and Chief Executive Officer



<sup>(1)</sup> See Annex A on page 94 for reconciliation of non-GAAP financial measures to our results as reported under GAAP.



1001 Third Avenue South  
Minneapolis, Minnesota 55404

**NOTICE OF 2026 ANNUAL MEETING OF SHAREHOLDERS MAY 21, 2026**

Sleep Number Corporation will hold its Annual Meeting of Shareholders (Annual Meeting) at 8:30 a.m. Central Time on May 21, 2026. The meeting will be conducted virtually at [www.virtualshareholdermeeting.com/SNBR2026](http://www.virtualshareholdermeeting.com/SNBR2026).

- |  |   |
|--|---|
| <p>1. To elect as Directors the three persons named in the Proxy Statement, each to serve for a term of three years until the 2029 Annual Meeting</p> <p>2. To approve amendments to our Third Restated Articles of Incorporation, as amended (Articles), and our Restated Bylaws (Bylaws) to declassify the Board of Directors (Board)</p> <p>3. To approve an amendment to our Articles to eliminate the supermajority voting requirement in Article XIV related to Directors</p> <p>4. To approve an amendment to our Articles to eliminate the supermajority voting requirements in Article XV related to approval of certain transactions</p> <p>5. To ratify the appointment of Deloitte &amp; Touche LLP as our independent auditors for the 2026 fiscal year ending January 2, 2027</p> <p>6. To approve, on an advisory basis, our executive compensation (Say on Pay)</p> <p>7. To approve the amendment to the Sleep Number Corporation 2020 Equity Incentive Plan, as amended (2020 Plan) to increase the number of shares reserved for issuance by 750,000 shares</p> | <p><b>Our Board of Directors Recommends You Vote:</b></p> <p><b>FOR</b> the election of each director nominee</p> <p><b>FOR</b> the approval of amendments to our Articles and Bylaws to declassify the Board</p> <p><b>FOR</b> the approval of an amendment to our Articles to eliminate the supermajority voting requirement in Article XIV</p> <p><b>FOR</b> the approval of an amendment to our Articles to eliminate the supermajority voting requirements in Article XV</p> <p><b>FOR</b> the ratification of the appointment</p> <p><b>FOR</b> approval, on an advisory basis</p> <p><b>FOR</b> the approval of the amendment to the 2020 Plan</p> |
|--|---|

Shareholders of record at the close of business on March 23, 2026, will be entitled to vote at the meeting and any adjournments or postponements thereof. Your vote is important. Please vote your shares in favor of the Board of Directors' recommendations in time for our May 21, 2026 meeting date. For important information regarding attending and voting at the Annual Meeting, see "[Our Annual Meeting and Voting](#)" in this Proxy Statement.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Samuel R. Hellfeld", with a long horizontal line extending to the right.

Samuel R. Hellfeld  
*Chief Legal and Risk Officer and Secretary*

Minneapolis, Minnesota  
April 8, 2026

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*As used in this Proxy Statement, the terms "we," "us," "our," the "Company" and "Sleep Number" mean Sleep Number Corporation and its subsidiaries and the term "common stock" means our common stock, par value \$0.01 per share.*

*This Proxy Statement contains "forward-looking" statements regarding our current expectations within the meaning of the applicable securities laws and regulations. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations. These risks and uncertainties include, but are not limited to, the risks detailed in our filings with the Securities and Exchange Commission (SEC), including the risk factors discussed under the heading "Risk Factors" under Part I: Item 1A. of the Annual Report on Form 10-K for the year ended January 3, 2026. We assume no obligation to update any of these forward-looking statements.*

# OUR BOARD

## PROXY STATEMENT FOR ANNUAL MEETING

May 21, 2026

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (Board) of Sleep Number for use at the 2026 Annual Meeting. These materials were first sent or made available to our shareholders on April 8, 2026.

## OUR BOARD

### WHO WE ARE

Article XIV of our Third Restated Articles of Incorporation, as amended, (Articles) and our Restated Bylaws (Bylaws) provides that the number of Directors must be at least one but not more than 12 and must be divided into three classes as nearly equal in number as possible. The exact number of Directors is determined from time to time by the Board. The term of each class is three years and the term of one class expires each year in rotation.

Immediately prior to the 2026 Annual Meeting, our Board will consist of seven members, three of which will be up for election at the 2026 Annual Meeting: Phillip M. Eyler, Julie M. Howard, and Angel L. Mendez. Upon the conclusion of the 2026 Annual Meeting, our Board will consist of six members following the retirement of Hilary A. Schneider given new board service limitations from her recent appointment as the Chief Executive Officer of SimpliSafe, maker of award-winning smart home security systems. The Company and the Board sincerely thank Ms. Schneider for her leadership, dedication and contributions to the Company, and wish her the very best in her new role.

## PROPOSAL 1 – ELECTION OF DIRECTORS

The Board, based on the recommendation of the Corporate Governance and Nominating Committee (the CGNC), recommends that Phillip M. Eyer, Julie M. Howard and Angel L. Mendez be elected at the Annual Meeting, each of whom will serve three-year terms expiring at the 2029 Annual Meeting, until their successor shall have been elected and qualified, or sooner as further described below.

Mr. Eyer, Ms. Howard and Mr. Mendez have each consented to being named as a nominee in this Proxy Statement and to serve as a Director in the class of Directors expiring in 2029, if elected, subject to the Company's Proposal 2 (amendments to the Company's Articles and Bylaws to declassify the Board). If the Company's Proposal 2 passes with the requisite affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the Company's 2026 Annual Meeting, each of the Directors who have been elected to terms expiring after the 2027 Annual Meeting, including the Directors noted above, have irrevocably agreed to shorten their terms by resigning effective as of the 2027 Annual Meeting and standing for re-election at the 2027 Annual Meeting for a one-year term subject to their nomination by the CGNC. To the extent that the CGNC nominates any of the resigning Directors to stand for re-election in accordance with the [Director Selection and Nomination Processes](#) as described herein, such resigning Director(s), along with any Director nominees whose term was set to expire at the 2027 Annual Meeting or any other Director nominee, would stand for election to a one-year term at the 2027 Annual Meeting. Therefore, contingent upon the passage of Proposal 2, beginning with the 2027 Annual Meeting, the Company's Board would be declassified and it will begin to hold annual elections for all Directors that year and going forward.

As detailed in their individual biographies set forth below, Mr. Eyer, Ms. Howard and Mr. Mendez provide a value-add mix of skills, qualifications and backgrounds to the Board that support and drive the Company's efforts to transform its business, capitalize on future market opportunities and deliver meaningful, long-term value for our shareholders and all stakeholders.

The Board recommends a vote "**For**" each of the following Director nominees, Mr. Eyer, Ms. Howard and Mr. Mendez, for election to three-year terms expiring in 2029:



## EXPERIENCE

- 2017 - 2025 Advisor, Gentherm, a global thermal management technologies company (Dec. 2024 to June 2025), immediately prior President, Chief Executive Officer and board member, Gentherm (2017 to Dec. 2024)
- 1997 - 2017 Various leadership roles culminating as President, Connected Car division, Harman International, an audio electronics company

**Phillip M. Eyler**  
**Age 54**  
 Sleep Number®  
 setting 40

## PUBLIC COMPANY BOARDS

Sleep Number (since 2022)  
 Sensata Technologies (NYSE: ST) (since 2024)  
 Ouster Inc. (Nasdaq: OUST) (since 2025)

## PRIOR PUBLIC BOARDS

Gentherm Incorporated (2017 – 2024)

## QUALIFICATIONS AND EXPERTISE

- Visionary and purpose-driven leader with significant global experience in developing connected solutions that meet the needs of the increasingly digital consumer
- As CEO of Gentherm, driving transformational growth in thermal and battery technology solutions for automotive and medical consumers across the globe
- Served in a series of escalating leadership roles for over 20 years at Harman International, an \$8 billion audio electronics company, culminating in a two-year tenure as President of its Connected Car Division



## EXPERIENCE

- 2021 - 2023 Most recently Chief Executive Officer, Riveron, a national accounting, finance, technology and operations company
- 2000 - 2019 Numerous positions at Navigant Consulting, Inc., a publicly traded global professional services firm, most recently as Chief Executive Officer (2012 to 2019) and Chairman of the Board (2014 to 2019)

**Julie M. Howard**  
**Age 63**  
 Sleep Number®  
 setting 40

## PUBLIC COMPANY BOARDS

Sleep Number (since 2020)  
 ManpowerGroup, Inc. (NYSE: MAN) (since 2016)

## PRIOR PUBLIC BOARDS

Kemper Corp (2010 – 2015)  
 Navigant Consulting, Inc. (2012 – 2019)  
 InnerWorkings, Inc. (2012 – 2020)

## QUALIFICATIONS AND EXPERTISE

- As former CEO of Riveron and Navigant, she provides the board with significant managerial, transactional, business transformation and operational experience
- Has expertise in developing global growth strategies and expansion into adjacent markets, leveraging technology and innovation
- Considerable background in investor relations matters



**Angel L. Mendez**

**Age 65**

Sleep Number®  
setting 45

**EXPERIENCE**

- 2020 - Present Executive Chairman, LevaData, an artificial intelligence company that powers the smartest supply chains in the world
- 2016 - 2020 Executive Vice President and Chief Operation Officer, HERE Technologies, a multi-national mapping, location intelligence and data services platform company
- 2005 - 2015 Senior executive at Cisco. Prior senior supply chain, global procurement and executive roles at Palm, Inc., Gateway, Inc., Citigroup, Allied Signal Aerospace and GE

**PUBLIC COMPANY BOARDS**

- Sleep Number (since 2022)
- Kinaxis, Inc. (Toronto Stock Exchange: KXS.TO) (since 2016)
- Peloton Interactive (Nasdaq: PTON) (since 2022)

**QUALIFICATIONS AND EXPERTISE**

- Decades of experience managing complex digital supply chains for large consumer technology companies
- At Cisco Systems, was responsible for the company’s enterprise transformation program that reinvented the company’s business model and drove significant revenue growth and shareholder value creation
- Led HERE’s core business, global operations, product management and corporate transformation

Director not standing for election this year whose term expires in 2027:



**Stephen E. Macadam**

**Age 65**

Sleep Number®  
setting 60

**EXPERIENCE**

- 2008 - 2019 President and Chief Executive Officer, EnPro Industries, Inc., a manufacturer and provider of precision industrial components, solutions and services
- 2005 - 2008 Chief Executive Officer, Bluelinx Holdings, Inc., a wholesale distributor of building and industrial products

**PUBLIC COMPANY AND NONPROFIT BOARDS**

- Sleep Number (since 2023)
- Atmus Filtration Technologies (NYSE: ATMU) (since 2023)
- Louisiana-Pacific Corporation (NYSE: LPX) (since 2019)

**PRIOR PUBLIC BOARDS:**  
Veritiv Corporation (2020 – 2023)

**NONPROFIT BOARDS:**  
University of Kentucky, College of Engineering – Dean’s Advisory Board (since 2015)  
Purpose Built Communities (Nonprofit) (since 2020)

**QUALIFICATIONS AND EXPERTISE**

- Deep understanding of product manufacturing, distribution and procurement
- Extensive leadership and operations experience growing and transforming businesses in the U.S. and globally
- At EnPro, led the company’s strategic and portfolio transformation to create a more streamlined, higher-margin business

Directors not standing for election this year whose terms expire in 2028 or sooner as described herein:



**Linda A. Findley**

**Age 52**

Sleep Number®  
setting 45

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**EXPERIENCE**

2025 - Present	President, Chief Executive Officer and Director, Sleep Number
2019 - 2024	President, Chief Executive Officer and Director, Blue Apron Holdings, Inc., an ingredient and recipe meal kit company
2016 - 2018	Chief Operating Officer, Etsy, Inc., an e-commerce company
2012 - 2015	Various senior executive roles at Evernote Corp., a software company, including most recently as Chief Operating Officer
2009 - 2012	Various roles at Alibaba.com Ltd., an e-commerce, retail, internet and technology company

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**PUBLIC AND PRIVATE COMPANY BOARDS**

Sleep Number (since 2025)  
Ralph Lauren (NYSE: RL) (since 2018)

**PRIOR PUBLIC BOARD:**

Blue Apron Holdings, Inc. (formerly Nasdaq: APRN) (2019-2023)

**PRIVATE BOARD:**

HeliosX (since 2025)

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**QUALIFICATIONS AND EXPERTISE**

- Accomplished senior executive leading consumer brands that combine digital and physical products, with specific expertise in operations management, organizational transformation, marketing strategy, and global expansion
- At Blue Apron, spearheaded a turnaround strategy that culminated in the company's sale to a strategic buyer
- At Etsy, oversight for global operations, product, marketing and brand strategy, customer support, and international expansion



**Deborah L. Kilpatrick, Ph.D.**  
**Age 58**  
 Sleep Number®  
 setting 30

**EXPERIENCE**

- 2025 - Present Partner at Sonder Capital, a venture capital firm
- 2014 - 2024 Executive Chair of the Board (Aug. 2020 to Dec. 2024), Co-Chief Executive Officer (Aug. 2020 to Mar. 2023) and Chief Executive Officer (Dec. 2014 to Aug. 2020), Evidation Health, a digital health company
- 2006 - 2014 VP, Market Development and Chief Commercial Officer, CardioDx, a molecular diagnostics company
- 1998 - 2006 Director of R&D, Director of New Ventures, and Research Fellow, Guidant Corporation (acquired by Boston Scientific, NYSE BSX), a medical device company

**PUBLIC AND PRIVATE COMPANY AND NONPROFIT BOARDS**

Sleep Number (since 2018)

**PRIVATE AND NONPROFIT BOARDS:**

- NextGen Jane (private for profit) (since 2019)
- Sutter Health (not for profit integrated healthcare delivery system in California) (since 2024)
- Jupiter Endovascular (private, medical device company in California) (since 2024)
- College of Engineering Advisory Board, Georgia Tech (former Chair) (since 2004)

**QUALIFICATIONS AND EXPERTISE**

- Medical device, molecular diagnostic and digital health expertise and experience
- At Evidation Health, commercialized a new technology platform built to refine large-scale sensor data for new digital measures of individual health
- At CardioDX, commercialized a novel gene expression test in cardiovascular disease
- Multiple patents in medical devices, drug delivery implant technologies
- Fellow, American Institute of Medical and Biological Engineering
- Digital Health Hall of Fame (UCSF); Engineering Hall of Fame (Georgia Tech)

Director not standing for election this year and who has decided to retire as described herein:



**Hilary A. Schneider**  
**Age 65**  
 Sleep Number®  
 setting 40

**EXPERIENCE**

- 2025 - present Chief Executive Officer, SimpliSafe, maker of award-winning smart home security systems
- 2020 - 2024 Chief Executive Officer, Shutterfly, Inc., a photography, photography products and image sharing company
- 2018 - 2019 Chief Executive Officer, WagQ Group Co., a leading on-demand mobile dog walking and dog care service
- 2010 - 2017 Various leadership roles, including Chief Executive Officer, LifeLock, Inc., an identity theft protection company

**PUBLIC COMPANY BOARDS**

- Sleep Number (since 2023)
- DigitalOcean Holdings (NYSE: DOCN) (since 2020)
- Getty Images Holdings (NYSE: GETY) (since 2020)
- Vail Resorts (NYSE: MTN) (since 2010)

**QUALIFICATIONS AND EXPERTISE**

- More than two decades of experience leading consumer technology companies
- Significant digital and innovation expertise and a track record of delivering superior customer experiences
- Led LifeLock through its public listing to its sale to Symantec for \$2.3 billion, driving meaningful revenue growth

# OUR BOARD

## HOW WE ARE SELECTED, ELECTED AND EVALUATED

### How We Are Selected

#### Director Selection and Nomination Processes

The Corporate Governance and Nominating Committee (the CGNC) administers the process for nominating candidates to serve on our Board. The CGNC recommends candidates for consideration by the Board as a whole, which is responsible for appointing candidates to fill any vacancy created between shareholder meetings and for nominating candidates for election by shareholders at our Annual Meeting. Consistent with the Corporate Governance Principles adopted by our Board, the CGNC periodically reviews with the Board the appropriate skills and characteristics required of Board members in the context of the current membership of the Board and the strategic direction of the Company. The Corporate Governance Principles are available in the Investor Relations section of the Company's website at <http://ir.sleepnumber.com>. The information contained in or connected to our website is not incorporated by reference into, or considered a part of, this Proxy Statement.

The CGNC casts a wide net for director candidates including individuals recommended by directors, officers, shareholders or professional advisors retained by the CGNC pursuant to its charter.

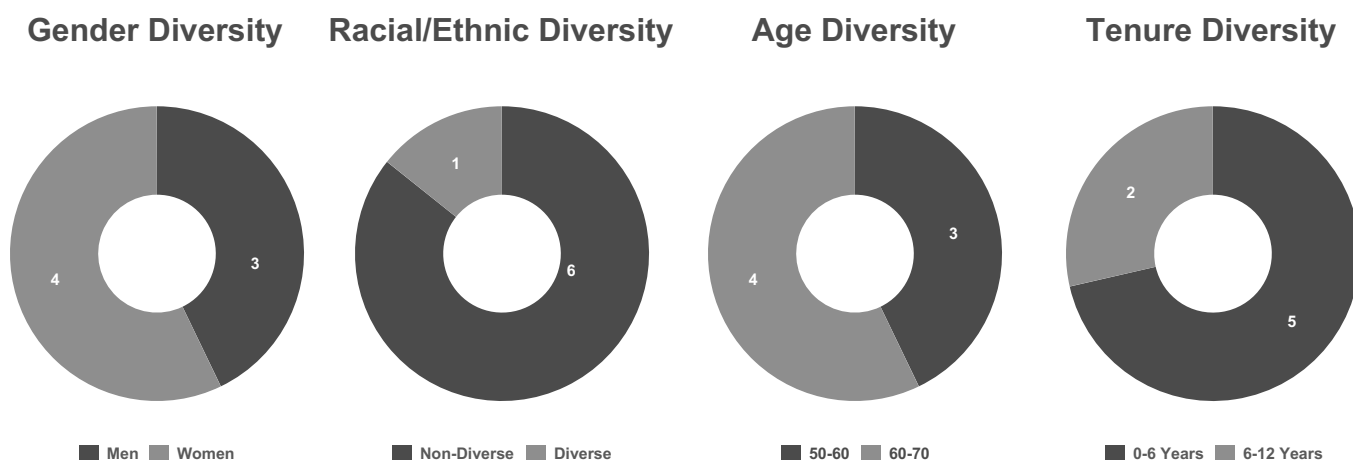
The CGNC considers director candidates in the context of the Board's overall composition, including whether the Board has an appropriate combination of professional experience, skills and knowledge and variety of viewpoints and backgrounds in light of the Company's current and expected future needs. The Board is committed to seeking director candidates who reflect diverse perspectives, including a complementary mix of professional and personal backgrounds and experiences, which we believe is critical to the success of the Company and its ability to create long-term value for our stakeholders.

#### Director Selection Criteria

The Board has established selection criteria, which are reviewed at least annually, approved by the Board, applied by the CGNC, and disclosed in our Corporate Governance Principles. They stress the following characteristics along with considerations of diversity, including gender identity, race, ethnicity, age, sexual orientation, educational and professional experience, and differences in viewpoints:

- Independence;
- Integrity;
- Proven record of accomplishment and sound business judgment in areas relevant to the Company's business;
- Belief in and passion for the Company's purpose, principles and strategy;
- Ability to bring strategic and innovative insights to the discussion and challenge and stimulate management;
- Willingness to both speak one's mind and consider divergent ideas and opinions;
- Understanding of, and ability to commit sufficient time to, Board responsibilities and duties; and
- Subject matter expertise.

The charts below depict the diversity of our seven Board members, based on gender identity, race and ethnicity, age and tenure on the Board.



Our Directors exhibit the skills, experiences and diversity listed below and as detailed in their individual bios above, and these qualifications were considered in their selection to serve on our Board.

	Phillip Eyer	Linda Findley	Julie Howard	Deb Kilpatrick	Stephen Macadam	Angel Mendez	Hilary Schneider
CEO Experience	X	X	X	X	X		X
Executive Leadership	X	X	X	X	X	X	X
Current Public Company Boards (incl. Sleep Number)	3	2	2	1	3	3	4
Retail and Digital Commerce		X				X	X
Marketing & Brand Building		X	X	X			X
Product Innovations	X	X		X		X	X
Technology	X	X		X		X	X
Finance	X	X	X		X		X
Supply Chain, Manufacturing, Logistics, Delivery	X				X	X	X
Human Capital	X	X	X	X		X	
Information Technology and Privacy	X		X	X		X	X
Cybersecurity				X		X	X
Artificial Intelligence Governance				X		X	
Governance and Sustainability	X	X	X		X	X	X
Risk Management	X	X	X		X	X	X
Gender Diversity		X	X	X			X
Racial or Ethnic Diversity						X	

## How Board Members Are Elected and Refreshed

### Director Elections

Our Articles currently provide for a classified Board serving staggered terms of three years each with a Board size of at least one but no more than 12 Directors. The CGNC and Board annually review our Board structure and size. As part of its regular governance review and consistent with shareholder feedback, the Board recently undertook efforts to reduce its size. In a Letter to Shareholders filed with the SEC on October 30, 2024, the Board announced its plans to seek shareholder approval at the 2025 Annual Meeting for amendments to the Company's Articles and Bylaws to declassify the Board. The 2025 Proxy Statement included Proposal 2 to declassify the Board. Proposal 2 required an affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the 2025 Annual Meeting, and while

approximately 99% of the shareholders who voted at the May 28, 2025 Annual Meeting supported Proposal 2, this represented less than the requisite affirmative vote of two-thirds of all shares of common stock outstanding. As disclosed in a Form 8-K filed on May 29, 2025, the Board unanimously agreed to resubmit Proposal 2 to shareholders at the Company's 2026 Annual Meeting and to seek to declassify the Board on an accelerated timeline as further described in Proposal 2 - Amendment to the Company's Articles and Bylaws to Declassify the Board on page [18](#).

Our Articles also provide for a majority voting standard in the case of uncontested elections and a plurality voting standard in the case of contested elections in order to reduce the risk of a "failed election" in a contested election. If a Director nominee who is an incumbent is not elected at a shareholder meeting and no successor to the incumbent is elected at that shareholder meeting, that nominee shall promptly offer to tender their resignation to the Board. The CGNC shall make a recommendation to the Board on whether to accept or reject the offer, or whether other action should be taken. The Board, taking into account the CGNC's recommendation, will publicly disclose its decision and the rationale within 90 days, and the nominee will be recused from the process. If such nominee's resignation is not accepted by the Board, they shall continue to serve until their successor is duly elected, or their earlier death, resignation, retirement, disqualification or removal.

If prior to the Annual Meeting, the Board should learn that any nominee will be unable to serve, the proxies that otherwise would have been voted for such nominee will be voted for such substitute nominee as selected by the Board, or, at the Board's discretion, may be voted for such fewer number of nominees as result from the inability of any such nominee to serve.

#### Director Refreshment

As noted above, the Board has undergone significant change since the 2025 Annual Meeting. With two long-tenured Directors deciding not to stand for reelection and one Director retiring, the Board went from 12 Directors prior to the 2025 Annual Meeting to nine immediately thereafter. Then, consistent with public announcements, two additional long-tenured Directors retired during 2025, one in November after the Company secured an amendment to its credit facility and the other at year-end. Thus, the Company ended the year with seven Directors.

We have a number of practices or approaches that encourage continued thoughtful board refreshment including:

- The Board maintains a resignation policy for any Director who reaches the age of 72 or has a material change in their principal employment or affiliation to promptly tender their resignation to the Chair of the CGNC to review and come forward with a recommendation to the full Board for final determination;
- The Board considers individual and Board average tenures and refreshment rates as part of its overall nomination assessments; and
- The Board evaluation process informs its Director refreshment oversight.

#### **How We Are Evaluated**

The CGNC oversees the annual evaluation of the Board's governance and effectiveness, reviews the results and makes recommendations to the Board. The evaluation process includes an annual self-evaluation of the Board and its committees, as well as periodic individual Director evaluations. The CGNC periodically retains an independent third party to facilitate the Board evaluations and to help ensure the evaluation reflects best practices and outcomes.

## HOW WE ARE GOVERNED AND GOVERN

### How We Are Governed

#### Provisions Applicable to All Directors

The Corporate Governance Principles are applicable to all Directors and provide an important framework within which the Board and management can pursue the strategic objectives of the Company and ensure its long-term vitality for the benefit of all shareholders.

#### *Independence*

It is our Board's responsibility to ensure a substantial majority of its members are independent. The Board follows the independence standards for companies listed on The Nasdaq Stock Market, the Securities and Exchange Commission (SEC) and the Internal Revenue Service and determined that all committee members and all Directors who served during any part of fiscal 2025 are independent except our Chief Executive Officer (CEO). The Board believes that the Company should not enter into paid consulting arrangements with independent Directors.

#### *Service on other Boards or Audit Committees*

To help ensure that our Directors have sufficient time to fulfill their responsibilities to the Company, our Board has adopted guidelines providing that:

- No Director shall serve on more than four public company boards including the Sleep Number Board;
- No Director who is a named executive officer of another public company shall serve on more than a total of two public company boards including the Sleep Number Board;
- No member of the Company's Audit Committee shall serve on more than three public company audit committees including the Sleep Number Audit Committee; and
- The Sleep Number CEO may not serve on more than two public company boards including the Sleep Number Board.

If any Director exceeds or proposes to exceed these guidelines, the Director must promptly notify the Chair of the CGNC, and the CGNC will review the facts and circumstances and determine whether such service would interfere with the Director's ability to devote sufficient time to fulfilling the Director's responsibilities to the Company. Currently, each of the Directors are in compliance with the above guidelines.

#### *Related-Party Transactions Policy*

The Board has adopted a written policy governing the reporting and approval of transactions between the Company and its Directors, Director nominees, executive officers, significant shareholders or entities or persons related to them that would be required to be disclosed by the Company pursuant to Item 404 or Regulation S-K of the Federal securities laws. Under this policy, any proposed or existing related party transaction is subject to the approval or ratification of the CGNC. A copy of the Related Party Transactions Policy can be accessed through our Investor Relations website at <http://ir.sleepnumber.com>. The information contained in or connected to our website is not incorporated by reference into, or considered a part of, this Proxy Statement. There were no related-party transactions during the year ended January 3, 2026, and there are none currently contemplated.

#### Board Leadership

##### *Chair*

The Board does not have a fixed policy regarding the separation of the offices of Chair of the Board (Chair) and the CEO and prefers to maintain the flexibility to modify its leadership structure based on the evolving best interests of the Company and its shareholders. During any period in which the positions of Chair and CEO are combined, the Board will appoint a Lead Director from among the independent members of the Board. Any such Lead Director will have the significant Board leadership responsibilities specified in our Corporate Governance Principles.

The Board believes that an effective leadership structure could be achieved either by combining or separating the Chair and CEO roles, so long as the structure balances the powers of the CEO and independent Directors and enables the independent Directors to be fully informed and exercise appropriate oversight of management. The Board formally separated the Chair and CEO roles following the 2025 Annual Meeting, with Phil Eyer becoming the independent Chair. At this time, the Board continues to believe that maintaining separate roles of Chair and CEO is appropriate and that such separation enables the Company's CEO, Linda Findley, to focus her attention on the business and her responsibilities as CEO, while Phil Eyer, as Chair, focuses on leadership of the Board.

#### *Lead Director*

During any period where there is a combined Chair and CEO role, our Corporate Governance Principles clearly define the Lead Director role with a robust set of responsibilities to ensure the Board's effective oversight, governance and independent leadership. At this time, the Chair and CEO roles are separated, so the Board does not currently have a Lead Director.

#### Board Committees

The Board maintains three standing committees: Audit, Management Development and Compensation (the Compensation Committee) and Corporate Governance and Nominating (the CGNC). Each has a charter that is posted on the Investor Relations section of the Company's website at <http://ir.sleepnumber.com>. The information contained in or connected to our website is not incorporated by reference into, or considered a part of, this Proxy Statement.

The current members of each of the Board committees are identified in the table below.

<b>Independent Director</b>	<b>Audit Committee</b>	<b>Management Development and Compensation Committee</b>	<b>Corporate Governance and Nominating Committee</b>
Phillip M. Eyer		X	
Julie M. Howard	X	X	
Deborah L. Kilpatrick, Ph.D.		X	X
Stephen E. Macadam	Chair <sup>(1)</sup>		X
Angel L. Mendez	X		Chair
Hilary A. Schneider		Chair <sup>(2)</sup>	

<sup>(1)</sup> In September 2025, Mr. Macadam was appointed the Chair of the Audit Committee.

<sup>(2)</sup> Effective as of the 2025 Annual Meeting, Ms. Schneider was appointed the Chair of the Compensation Committee. When Ms. Schneider retires from the Board at the conclusion of the 2026 Annual Meeting, the Board elected Ms. Howard to succeed her as Chair of the Compensation Committee.

The Board has further determined that two current members of the Audit Committee, Julie M. Howard and Stephen E. Macadam, meet the definition of "audit committee financial expert" under rules and regulations of the SEC and meet the qualifications of "financial sophistication" under the Marketplace Rules of the Nasdaq Stock Market. These designations related to our Audit Committee members' experience and understanding with respect to certain accounting and auditing matters are disclosure requirements of the SEC and the Nasdaq Stock Market and do not impose upon any of them any duties, obligations or liabilities that are greater than those generally imposed on a member of our Audit Committee or of our Board.

#### *Audit Committee*

The Audit Committee provides assistance to the Board in satisfying its fiduciary responsibilities relating to accounting, auditing, operating and reporting practices of our Company. The Audit Committee is responsible for providing independent, objective oversight with respect to our Company's accounting and financial reporting functions, internal and external audit functions, systems of internal controls regarding financial matters, enterprise risk assessment and management, information security matters, including cybersecurity and artificial intelligence, and legal, ethical and

regulatory compliance. The responsibilities and functions of the Audit Committee are further described in the Audit Committee Report beginning on page 23 of this Proxy Statement.

#### *Management Development and Compensation Committee*

The principal function of the Compensation Committee is to discharge the responsibilities of the Board relating to compensation and development of current and future leadership resources. The responsibilities and functions of the Compensation Committee are further described in the Compensation Discussion and Analysis beginning on page 28 of this Proxy Statement. The Compensation Committee annually reviews the Company's compensation philosophy and practices. The Board, through the Compensation Committee, supports and oversees team member compensation programs that are closely linked to business performance and long-term strategic orientation.

#### *Corporate Governance and Nominating Committee*

The primary functions of the CGNC are to develop and recommend to the Board Corporate Governance Principles to govern the Board, its committees and our executive officers and team members in the conduct of the business and affairs of our Company; to identify and recommend to the Board individuals qualified to become members of the Board and its committees; and to develop and oversee the annual Board and committee evaluation process.

### How We Govern

#### *Meetings*

The full Board met in person or virtually 13 times during 2025. The Audit Committee met eight times, the Compensation Committee met eight times and the CGNC met nine times during 2025. Each of the members of our Board serving in 2025 attended 75% or more of all meetings of the Board and committees on which they served.

The Board's practice is to meet in executive session with the full Board present and, separately, with just the independent Directors present, at each regularly scheduled quarterly meeting of the Board. At least annually, the independent Directors meet in executive session to review the performance and compensation of the CEO and other executive officers. Additional executive sessions or meetings with just the independent Directors may be held from time to time as needed. Any member of the Board may request an executive session with the full Board or the independent Directors only.

Our policy requires our Directors to attend our Annual Meetings unless prevented by causes beyond their reasonable control. With the excused exception of Ms. Kilpatrick, all of our Directors attended our 2025 Annual Meeting.

#### *Oversight of the Chief Executive Officer*

The Board selects, evaluates, provides oversight and counsel to and creates limited parameters for the CEO. One of these parameters limits the CEO to serving on no more than one public company board other than the Sleep Number Board.

#### *Chief Executive Officer Succession Planning*

Ensuring that the Company has skilled, seasoned leaders and a plan for management succession remains a top priority for the Board. The Board has delegated primary oversight responsibility for succession planning to the Management Development and Compensation Committee. The Committee meets regularly to discuss management succession, candidates and process and evaluates and updates as appropriate the skills, experience and attributes the Committee believes are important to be an effective CEO in light of our strategy. The Committee regularly reviews succession planning with the full Board, including the identification, development and progress of internal candidates.

#### *Board Role in Risk Oversight*

Our Board is responsible for overseeing the Company's policies and practices with respect to risk assessment and risk management and has delegated to the Audit Committee the responsibility of assisting the Board in fulfilling this

role. Among its duties and processes, the Audit Committee: (a) reviews and discusses with management the Company's policies and practices with respect to enterprise risk assessment and risk management, including with respect to financial risk exposures, internal controls over financial reporting and cybersecurity and artificial intelligence, (b) oversees the Company's internal audit function and processes, (c) establishes and oversees procedures for receiving and addressing complaints regarding accounting, internal controls or auditing matters, (d) reviews compliance and other legal matters with the Company's legal counsel and (e) reports to the full Board with respect to matters within its area of responsibility.

The Audit Committee oversees the Company's internal audit function. The leader of the internal audit function reports directly to the Audit Committee, and the Audit Committee has authority to review and approve the appointment, replacement or dismissal of this leader. The Audit Committee reviews and approves, at least annually, the Company's internal audit plan and receives quarterly reports on the results of internal audits. The leader of the internal audit function meets regularly with the Chair of the Audit Committee and/or in executive session with the Audit Committee outside the presence of the Company's management team. The Company's risk assessment and risk management process is led by the Chief Legal and Risk Officer and the leader of the internal audit function, with guidance from outside advisors as needed. This process includes an annual enterprise risk assessment, ongoing risk identification and quarterly assessments of enterprise risks and mitigation strategies, with participation from and review by the Audit Committee and the Board.

In addition to the Audit Committee's role, each of the other committees considers risks within its respective areas of responsibility. We believe our Board leadership structure helps ensure proper risk oversight, based on the allocation of duties among committees and the role of our independent Directors in risk oversight.

#### *Conflicts of Interest*

Directors are expected to avoid any action, position or interest which conflicts with an interest of the Company, or that gives the appearance of a conflict. If any member of the Board becomes aware of any such conflicting or potentially conflicting interest involving any member of the Board, the Director should immediately bring such information to the attention of the Chair (and the Lead Director if the Chair and CEO is combined), the CEO and the Chief Legal and Risk Officer of the Company.

#### *Performance Goals and Evaluation*

The Compensation Committee is responsible for establishing procedures for setting annual and long-term performance goals for the CEO and for evaluation by the full Board of their performance against such goals. The Compensation Committee meets at least annually with the CEO to receive their recommendations concerning such goals. Both the annual goals and the annual performance evaluation of the CEO are reviewed and discussed by the independent Directors at a meeting or executive session. The Compensation Committee is also responsible for setting annual and long-term performance goals and compensation for all executive officers. Also, the CEO reports to the Board, at least annually, on senior management depth and development, including a discussion of assessments, leadership development, succession planning and other relevant factors.

#### *Shareholder Approval of Equity-Based Compensation Plans*

Shareholder approval will be sought for equity-based compensation plans as required by our Articles and Minnesota law.

#### *Provisions Applicable to Unsolicited Takeover Attempts or Proposals*

The Board periodically reviews (not less often than every three years) our Articles and Bylaws and various provisions that are designed to maximize shareholder value in the event of an unsolicited takeover attempt or proposal. Such review includes consideration of matters such as the Company's state of incorporation, whether the Company should opt in or out of applicable control share acquisition or business combination statutes and provisions such as the Company's classified Board structure. Note that, subject to shareholder approval in accordance with Minnesota law, the Board has unanimously

adopted resolutions approving and declaring the advisability of proposed amendments to the Articles and Bylaws to declassify the Board as further described below in Proposal 2 (approve amendments to our Articles and Bylaws to declassify the Board). The objective of this review is to maintain a proper balance of provisions that will not deter bona fide proposals from coming before the Board and that will position the Board and the Company to maximize the long-term value of our Company for all shareholders.

### *Shareholder Engagement*

We have regular outreach to and ongoing discussions with most of our largest shareholders to learn more about their perspectives and gather their feedback on our strategy, performance, governance, compensation and other topics. Our engagement helps our Board and leadership team understand the issues that matter most to shareholders, so that we can address them effectively.

Prior to our 2026 Annual Meeting, we reached out to 23 of our largest shareholders collectively representing approximately 70% of our outstanding shares to discuss executive compensation and corporate governance topics of interest to them. Six shareholders representing approximately 33% of our outstanding shares accepted our invitation to speak. Six shareholders representing approximately 9% of our outstanding shares declined our invitation, and 12 shareholders representing 28% of our outstanding shares did not respond. The Chair of the Board, Phillip Eyer, led most of these meetings with members of the management team in attendance.

In addition to this targeted outreach ahead of the 2026 Annual Meeting, we also regularly engage with our shareholders in the ordinary course of our investor relations activities. In total, between January 2025 and March 2026, we engaged with shareholders representing more than 60% of our outstanding shares.

### *How You Can Communicate with the Board*

Our Board casts a wide net to inform and enhance its deliberations and decision making. It also maintains several means for shareholders and others to engage, ask questions and provide input:

- Shareholders can participate in our Annual Meetings;
- Shareholders can participate in our shareholder engagement program in which members of management and, as appropriate, Directors have in-person, virtual, phone or email engagements. Director engagements may cover topics such as strategy, Board and corporate governance, pay and duration drivers including environmental, social and other factors;
- Shareholders may write to our Board as a whole, its committee chairs or individual Directors, either via email at [investorrelations@sleepnumber.com](mailto:investorrelations@sleepnumber.com) or by sending a written communication addressed to our Corporate Secretary by mail to Sleep Number Corporation, 1001 Third Avenue South, Minneapolis, MN 55404. The Corporate Secretary will promptly forward any communication so received to the Board, any committee of the Board or any individual Director specifically addressed in the communication;
- Shareholders can raise any concern regarding accounting, internal control or auditing matters with our Audit Committee, confidentially and anonymously, by calling 1-800-835-5870; or
- Shareholders, team members and others can raise issues more generally by calling or emailing our privacy department (1-800-554-0184 or [privacy@sleepnumber.com](mailto:privacy@sleepnumber.com)) or using our confidential Ethics and Integrity Hotline 1-833-596-3092. Board-level information will be escalated as appropriate.

The Company reserves the right to revise or make exceptions to the above in the event that the process is abused, becomes unworkable or otherwise does not efficiently serve the purposes of the process.

## HOW WE ARE PAID

Board compensation should encourage alignment with shareholders' interests and should be at a level equitable to comparable companies.

### Summary of Non-Employee Director Compensation

The compensation payable to non-employee Directors of Sleep Number Corporation is determined annually by the Compensation Committee, typically at the quarterly meeting in May.

#### Annual Cash Retainer

Each of our non-employee Directors receives an annual cash retainer of \$95,000, which is paid quarterly. The Chairs of each of the Committees of the Board receive an additional annual cash retainer of \$20,000, with Co-Chairs for any committee, when applicable, splitting the \$20,000 cash retainer, each receiving \$10,000. The Chair of the Board receives an additional cash retainer of \$100,000 per year.

#### Meeting Fees

Non-employee Directors generally receive meeting fees for Board and Committee meetings attended beyond the normal number of regular or typical meetings for the Board and each Committee in a fiscal year, including: (a) Board meeting fees of \$1,000 per in-person meeting and \$500 per virtual meeting after a minimum of eight Board meetings for the fiscal year and (b) Committee meeting fees of \$750 per in-person Committee meeting and \$500 per virtual Committee meeting after a minimum of eight meetings for each Committee for the fiscal year.

In 2025, the Directors elected to waive meeting fees for attendance beyond the minimum number of regular or typical Board and Committee meetings in the fiscal year.

#### Equity Compensation

Coincident with the Annual Meeting, non-employee Directors are eligible to receive equity compensation in amounts determined by the Compensation Committee. In 2025, in alignment with share conservation efforts undertaken for management, 100% of the grant value was in RSUs, with the grants to vest on the earlier of one year from the date of grant or the date of the next Annual Meeting at which Directors are elected to the Board, so long as the Director continues to serve on our Board. At its meeting on May 20, 2025, the Compensation Committee approved the annual equity compensation for each of our non-employee Directors to remain at \$135,000 in grant value for the new equity awards which were granted on May 28, 2025. In alignment with methodology used to determine awards granted to NEOs, the number of RSUs granted to our non-employee Directors on May 28, 2025 was based on the average 2024 share price of \$13.81. These equity compensation grants to non-employee Directors in the fiscal year are set forth and described in the "Director Compensation" table below.

#### Reimbursement of Expenses

Directors are reimbursed for travel expenses for attending in-person meetings of our Board or any of the Committees and for attending approved director continuing education programs.

#### No Director Compensation for Employee Directors

Any Director who is an employee of our Company does not receive additional compensation for service as a Director.

#### Share Ownership Guidelines for Executive Officers and Directors

The Board has established the stock ownership guidelines for executive officers and Directors as further described in the Compensation Discussion and Analysis beginning on page 28 of this Proxy Statement.

## Director Compensation

The following table summarizes the total compensation paid or earned by each of our non-employee Directors for the 2025 fiscal year ended January 3, 2026.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>(1)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Phillip M. Eyler <sup>(3)</sup>	\$ 145,500	\$ 104,114	—	—	\$ 249,614
Stephen L. Gulis, Jr. <sup>(3)(5)</sup>	\$ 94,096	\$ 104,114	—	—	\$ 198,210
Michael J. Harrison <sup>(4)</sup>	\$ 72,500	—	—	—	\$ 72,500
Julie M. Howard <sup>(3)(4)</sup>	\$ 95,000	\$ 104,114	—	—	\$ 199,114
Deborah L. Kilpatrick, Ph.D. <sup>(3)</sup>	\$ 95,000	\$ 104,114	—	—	\$ 199,114
Brenda J. Lauderback <sup>(6)</sup>	\$ 107,500	\$ 104,114	—	—	\$ 211,614
Stephen E. Macadam <sup>(3)</sup>	\$ 105,808	\$ 104,114	—	—	\$ 209,922
Barbara R. Matas <sup>(4)</sup>	\$ 52,500	—	—	—	\$ 52,500
Angel L. Mendez <sup>(3)</sup>	\$ 115,000	\$ 104,114	—	—	\$ 219,114
Hilary A. Schneider	\$ 105,000	\$ 104,114	—	—	\$ 209,114

<sup>(1)</sup> Reflects the aggregate grant date fair value of restricted stock awards granted during fiscal year 2025, computed in accordance with FASB ASC Topic 718. For all Directors except Mr. Harrison and Ms. Matas, 9,776 restricted stock awards were granted. Mr. Harrison and Ms. Matas did not stand for election in 2025 and their terms expired effective as of the conclusion of the 2025 Annual Meeting. Accordingly, no restricted stock awards were granted to Mr. Harrison or Ms. Matas. See Note 8, Shareholders' Deficit, to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2026, for a discussion of the relevant assumptions used in calculating these amounts. As of January 3, 2026, the aggregate number of shares outstanding under stock awards, including restricted stock units, deferred restricted stock units and phantom stock, held by those who served as non-employee Directors through fiscal year 2025 was as follows: Mr. Eyler, 22,448; Ms. Howard, 22,513 shares; Ms. Kilpatrick, 13,120 shares; Mr. Macadam, 21,312; Mr. Mendez, 19,428 shares; and Ms. Schneider, 9,776 shares.

<sup>(2)</sup> No stock option awards were granted during fiscal year 2025. As of January 3, 2026, the aggregate number of stock options outstanding held by those who served as non-employee Directors through fiscal 2025 was as follows: Mr. Eyler, 4,285; Ms. Howard, 5,830; Ms. Kilpatrick, 9,860; Mr. Macadam, 2,373; Mr. Mendez, 4,285; and Ms. Schneider, 2,373.

<sup>(3)</sup> Under the Company's 2020 Equity Incentive Plan, as amended, (2020 Plan) non-employee Directors may elect to defer receipt of any shares of the Company's common stock under an Incentive Award granted to non-employee Directors under the 2020 Plan. For fiscal 2025, the following Directors elected to defer receipt of their 2025 Incentive Award of 9,776 shares: Mr. Eyler, Mr. Gulis, Ms. Howard, Ms. Kilpatrick, Mr. Macadam, and Mr. Mendez.

<sup>(4)</sup> Mr. Harrison and Ms. Matas decided not to stand for election in 2025 and their terms expired effective as of the conclusion of the 2025 Annual Meeting.

<sup>(5)</sup> In March 2025, Mr. Gulis agreed to retire or resign from the Board no later than the completion of the Company's debt refinancing or at the conclusion of the 2026 Annual Meeting, whichever occurs first. Effective November 4, 2025, Mr. Gulis retired from the Board when the Company completed its debt refinancing. Upon his retirement from the Board, 5,463 shares related to Mr. Gulis' 2025 Incentive Award vested and the remaining 4,313 shares were forfeited.

<sup>(6)</sup> Ms. Lauderback retired from the Board effective December 31, 2025.

## **ARTICLES OF INCORPORATION AND BYLAWS**

In a Letter to Shareholders filed with the SEC on October 30, 2024, the Board announced plans to seek shareholder approval at the 2025 Annual Meeting for amendments to the Company's Articles and Bylaws to declassify the Board and amendments to the Articles to eliminate the supermajority voting requirements in Article XIV for Directors and in Article XV related to approval of certain transactions. The 2025 Proxy Statement included Proposal 2 to declassify the Board, Proposal 3 to amend the Articles to eliminate the supermajority voting requirements in Article XIV for Directors, and Proposal 4 to amend the Articles to eliminate the supermajority voting requirements in Article XV for approval of certain transactions as further described therein. Each of Proposal 2, 3 and 4 required an affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the 2025 Annual Meeting, and while approximately 98-99% of the shareholders who voted at the May 28, 2025 Annual Meeting supported the measures, this represented less than the requisite affirmative vote of two-thirds of all shares of common stock outstanding.

In a Form 8-K filed on May 29, 2025, the Board acknowledged its disappointment that Proposals 2, 3 and 4 did not get the requisite affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the Company's 2025 Annual Meeting. The Board also reiterated its belief that the proposed amendments to the Company's Articles and Bylaws to declassify the Board and eliminate the supermajority voting requirements in the Company's Articles XIV and XV are in the best interests of the Company and its shareholders. At that time, the Board unanimously voted to resubmit those proposals to shareholders at the Company's 2026 Annual Meeting and to seek to declassify the Board on an accelerated timeline as further set forth in Proposal 2 - Amendment to the Company's Articles and Bylaws to Declassify the Board on page 18.

## PROPOSAL 2 – VOTE TO APPROVE AMENDMENTS TO THE COMPANY’S ARTICLES AND BYLAWS TO DECLASSIFY THE BOARD

Under our existing Articles and Bylaws, our Board is divided into three classes with members of each class of Directors serving a three-year term. The classification of the Board results in staggered elections, with a different class of Directors standing for election each year.

Shareholder approval of the amendments to our Articles and Bylaws proposed in this Proposal 2 would declassify our Board. Directors elected at this Annual Meeting will be elected to three-year terms expiring at the 2029 Annual Meeting; however, if Proposal 2 passes, each of the Directors who have been elected to terms expiring after the 2027 Annual Meeting have irrevocably agreed to shorten their terms, resign effective as of the 2027 Annual Meeting and stand for re-election at the 2027 Annual Meeting for a one-year term subject to CNGC nomination. To the extent that the CGNC nominates any of the resigning Directors to stand for re-election, such resigning Director(s) along with any Director nominees whose term was set to expire at the 2027 Annual Meeting or any other Director nominees, would stand for election to a one-year term at the 2027 Annual Meeting. Therefore, contingent upon shareholder approval of Proposal 2 to amend the Articles and Bylaws this year, the Company’s Board would be declassified and the Director nominees at the 2027 Annual Meeting and thereafter will be elected to one-year terms expiring at the next Annual Meeting. If the office of any Director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, increase in the number of Directors or otherwise, a majority of the remaining Directors, although less than a quorum, at a meeting called for that purpose, may choose a successor, who, unless removed for cause, shall hold office for the remainder of the one year term for which they were appointed or until a successor shall be elected and qualified. As a result, beginning with the election of Directors at the 2027 Annual Meeting, all Directors will be elected for one-year terms and the classification of the Board will terminate.

In proposing these amendments to the Articles and Bylaws, our Board considered shareholder feedback and evolving governance practices. Subject to shareholder approval, the Board has unanimously adopted resolutions approving and declaring the advisability of the proposed amendments to the Articles and Bylaws.

If our shareholders approve this Proposal 2, we will file amended and restated Articles after the Annual Meeting incorporating the revisions in [Appendix A](#). We will also make the conforming revisions reflected in [Appendix A](#) to declassify the Board in our Bylaws, as required by Minnesota law to get shareholder approval for such amendments to our Bylaws.

The Board believes that the amendments to our Articles and Bylaws to declassify the Board are in the best interests of the Company and our shareholders at this time.

The Board unanimously recommends a vote “**For**” approval of amendments to our Articles and our Bylaws to declassify the Board.

## PROPOSAL 3 – VOTE TO APPROVE AN AMENDMENT TO THE COMPANY’S ARTICLES TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENT IN ARTICLE XIV RELATED TO DIRECTORS

Article XIV of our existing Articles provides that it may not be altered, amended or repealed, in whole or in part, unless authorized by the affirmative vote of the holders of not less than two-thirds of the outstanding voting power entitled to vote (*i.e.*, a supermajority).

Shareholder approval of the amendment to our Articles proposed in this Proposal 3 would eliminate the supermajority voting requirement in Article XIV related to amendments to the number, classification, term of office, removal, and how to fill vacancies of Directors.

In proposing this amendment to the Articles and seeking to evolve our governance structure, our Board considered shareholder feedback and evolving governance practices.

Our Board unanimously concluded that it is in the best interests of the Company and our shareholders at this time to recommend that our shareholders adopt amendments to our Articles to eliminate all supermajority voting requirements related to Directors, and replace with majority voting requirements. The Board has unanimously adopted resolutions approving and declaring the advisability of the proposed amendment to the Articles.

If our shareholders approve this Proposal 3, we will file amended and restated Articles after the Annual Meeting incorporating the revisions in [Appendix B](#).

The Board unanimously recommends a vote “**For**” approval of the amendment to our Articles to eliminate the supermajority voting requirement in Article XIV related to Directors.

## PROPOSAL 4 – VOTE TO APPROVE AN AMENDMENT TO THE COMPANY’S ARTICLES TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENTS IN ARTICLE XV RELATED TO APPROVAL OF CERTAIN TRANSACTIONS

Article XV of our existing Articles provides that it may not be altered, amended or repealed, in whole or in part, unless authorized by the affirmative vote of the holders of not less than two-thirds of the outstanding voting power entitled to vote. Article XV also provides that the affirmative vote of not less than two-thirds of the outstanding voting power entitled to vote is required for certain transactions such as various approvals (or adoptions) of any plan of merger or exchange of assets, or issuance or delivery of stock or securities.

Shareholder approval of the amendment to our Articles in this Proposal 4 would eliminate these supermajority vote requirements. In proposing this amendment to the Articles and seeking to evolve our governance structure, our Board considered shareholder feedback and evolving governance practices. Our Board concluded that it is in the best interests of the Company and our shareholders at this time to recommend that our shareholders adopt amendments to our Articles to eliminate all supermajority voting requirements and replace with majority voting requirements, including the requirements in Article XV related to approval of certain transactions. The Board has unanimously adopted resolutions approving and declaring the advisability of the proposed Articles amendment.

If our shareholders approve this Proposal 4, we will file amended and restated Articles after the Annual Meeting incorporating the revisions in [Appendix C](#).

The Board unanimously recommends a vote “**For**” approval of the amendment of our Articles to eliminate the supermajority voting requirements in Article XV related to certain transactions.

## OUR COMPANY

### WHAT WE DO

Sleep Number is the leader in personalized sleep wellness. Its mattresses are designed to evolve with each sleeper to help them feel and perform their best. With adjustable firmness, pressure-relieving support and temperature balancing comfort built into every mattress, Sleep Number beds adapt to customers' changing needs, night after night, year after year. Backed by over 40 years of innovation, over a 1,000 patents and patents pending, and billions of hours of sleep data, Sleep Number has helped more than 16 million people achieve their best sleep. The fully integrated model ensures quality, durability, and care at every step—from design and craftsmanship to delivery and long-term support.

Sleep Number's life-changing, differentiated smart mattresses combine physical and digital innovations, integrating unparalleled physical comfort with a highly advanced sleep wellness platform. Sleep Number's mattress portfolio offers our signature firmness adjustability, enabling each sleeper adjustable comfort. Embedded digital sensors learn the sleep needs of each individual; "sense and do" technology uses the sensed data to automatically adjust the bed to keep the sleeper comfortable throughout the night. Temperature balancing technology supports the ideal climate for each sleeper and solves a prevalent sleep challenge. Additionally, the mattresses are an exceptional value, with personalized sleep insights delivered daily, new features regularly added to all smart beds through over-the-air updates and prices to meet most budgets. Sleep Number mattresses provide unmatched features, benefits and comfort that can lead to improved sleep health and wellness for both sleepers.

Sleep Number products are awarded the industry's top recognitions, including ranked #1 in customer satisfaction for mattresses purchased in-store and online, and #1 in comfort, by J.D. Power. In addition, the company is the Official Sleep + Wellness Partner of the NFL, marking a relationship that leverages players, team partnerships, and league-wide initiatives to amplify brand awareness and drive consumer engagement.

### WHO WE ARE

Sleep Number's advantaged business model is supported by our consumer innovation strategy: an individualized, digital sleep wellness platform, a network of millions of highly engaged Smart Sleepers who are loyal brand advocates, and a vertically integrated operating model.

And our 3,100 mission-driven team members are dedicated to Sleep Number's mission of improving lives by individualizing sleep experiences. They passionately innovate to drive value creation, including our exclusive direct-to-consumer selling in 600 stores and online, which meets customers whenever and wherever they choose to provide an exceptional experience and a lifelong relationship.

Additionally, Sleep Number partners with world-leading institutions to bring the power of over 38 billion hours of longitudinal sleep data from approximately five billion sleep sessions to sleep science and research.

## HOW WE DO IT

We believe our purpose of improving lives by personalizing sleep is best achieved with similarly sustainable governance, people and environmental practices.

Ours continually evolve, but highlights include:

- We annually review and train on our Code of Business Conduct;
- Our focus on talent management is reflected in the Board making time annually to review with management our human capital management, development and succession practices;
- Our sustainability practices are supported by a cross-functional team and informed by a materiality assessment; and
- Key environmental, social, and governance topics are shared with the full Board and standing committees annually, quarterly or on an interim basis, as appropriate, including periodic dedicated full Board sessions covering topics such as carbon, climate, natural resources, supply chain management, waste and toxicity, reuse and recycling, team member engagement, health, wellbeing and belonging; the evolving nature of work; community health and impact; compliance and internal controls; business ethics and codes of conduct; sustainable, auditable and repeatable processes for reporting requirements; executive, Director and team member compensation; cybersecurity; and geo-political and policy issues management.

### Code of Conduct and Ethics

Our Code of Business Conduct and Ethics is reviewed annually with the Audit Committee and instructs team members to comply with applicable laws, engage in ethical and safe conduct in our work environment, avoid conflicts of interests, conduct our business with integrity and high ethical standards and safeguard our Company's assets, report potential violations and periodically receive training and certify commitment. The Code of Business Conduct and Ethics addresses legal and ethical issues that may be encountered by our team members during their normal course of business.

Team members are required to report any conduct that they believe in good faith violates our Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics also sets forth procedures under which team members or others may report through our management team or, ultimately, directly to our Audit Committee (confidentially and anonymously, if so desired) any questions or concerns regarding accounting, internal accounting controls or auditing matters. All of our team members and Board members are required to annually certify their commitment to abide by our Code of Business Conduct and Ethics. We regularly monitor compliance with the Code of Business Conduct and Ethics and report findings to our Audit Committee. We also provide training in key areas covered by the Code of Business Conduct and Ethics to help our team members to comply with their obligations.

A copy of the Code of Business Conduct and Ethics is included in our Investor Relations section of our website at <http://ir.sleepnumber.com>. We intend to disclose any amendments to and any waivers from a provision of our Code of Business Conduct and Ethics on our website. The information contained in or connected to our website and our Code of Business Conduct and Ethics is not incorporated by reference into, or considered a part of, this Proxy Statement.

## Corporate Sustainability

Our sustainability efforts are focused on aligning and integrating environmental stewardship and social progress with our pursuit of long-term shareholder value creation. We recently published our 2026 Corporate Sustainability Report, which provides an update on enterprise environmental, social and governance practices and priorities. The report underscores our continued focus on sustainability initiatives that support the resilience of our business.

- We are strengthening systems and processes that reinforce sound governance, high integrity decision-making and transparent, consistent reporting practices.
- To attract and retain highly engaged team members, we continue to prioritize programs that promote well-being, provide opportunities for professional development, and reward strong performance.
- Through volunteerism, financial and in-kind support, and meaningful contributions to sleep science, research and sleep innovations, we are improving millions of lives – delivering significant value to consumers and their communities.
- Recognizing the benefit of collaboration in achieving our goals, we work to strengthen our supplier relationships and engage with them to increase opportunities for enhanced sustainability.
- And we are monitoring – and taking responsible actions to control – our greenhouse gas emissions, waste and other environmental outputs, including through intentional network design, transportation optimization and innovations that extend the useful life of product components.

A copy of the Corporate Sustainability Report is included in our Investor Relations section of our website at <http://ir.sleepnumber.com>. The information contained in or connected to our website and our Corporate Sustainability Report is not incorporated by reference into, or considered a part of, this Proxy Statement.

## Audit Committee Report

The Audit Committee is responsible for providing independent, objective oversight with respect to our Company's accounting and financial reporting functions, internal and external audit functions, systems of internal controls regarding financial matters, risk assessment and risk management, information technology and information security systems, including cybersecurity and artificial intelligence, and legal, ethical and regulatory compliance.

The Audit Committee is currently composed of three Directors, each of whom is independent as defined by the Nasdaq listing standards and SEC Rule 10A-3. Stephen Macadam (Chair), Julie Howard, and Angel Mendez served on the Audit Committee throughout 2025 and through the date of this report. Stephen Macadam joined the Audit Committee effective January 1, 2025, and became Chair in September 2025. Barbara Matas and Stephen Gulis, Jr. served on the Audit Committee through May 2025 and November 2025, respectively.

Management is responsible for our Company's financial reporting processes and internal control over financial reporting. Deloitte & Touche LLP, our Independent Registered Public Accounting Firm, is responsible for auditing our Company's consolidated financial statements for the 2025 fiscal year. This audit is to be conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee met eight times during 2025 and meetings involved representatives of management, internal audit and the independent auditors. The Audit Committee meets periodically with management, internal audit and the independent auditors in separate executive sessions as needed to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

Management represented to the Audit Committee that our Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee has

reviewed and discussed the consolidated financial statements, together with the results of management's assessment of the Company's internal control over financial reporting, with management and the Independent Registered Public Accounting Firm. The Audit Committee discussed with the Independent Registered Public Accounting Firm the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC. The Independent Registered Public Accounting Firm provided the Audit Committee with written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board, and the Audit Committee discussed with the Independent Registered Public Accounting Firm that firm's independence.

Based upon the Audit Committee's discussions with management, internal audit and the Independent Registered Public Accounting Firm and the Audit Committee's review of the representations of management and the Independent Registered Public Accounting Firm, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Company's Annual Report on Form 10-K for the year ended January 3, 2026, for filing with the Securities and Exchange Commission.

This Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

*The Audit Committee of the Board of Directors*

Stephen Macadam, Chair  
Julie Howard  
Angel Mendez

## PROPOSAL 5 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of our independent auditors. The Audit Committee considers the independence of our independent auditors and participates in the selection of the independent auditor's lead engagement partner. The Audit Committee has appointed, and, as a matter of good corporate governance, is requesting ratification by the shareholders of the appointment of, the registered public accounting firm of Deloitte & Touche LLP (Deloitte) to serve as independent auditors for the fiscal year ending January 2, 2027. Deloitte has served as our independent auditor since 2010.

The Audit Committee considered a number of factors in determining whether to re-engage Deloitte as the Company's independent registered public accounting firm, including the length of time the firm has served in this role, the firm's professional qualifications and resources, the firm's past performance and the firm's capabilities in handling the breadth and complexity of our business, as well as the potential impact of changing independent auditors.

The Board and the Audit Committee believe that the continued retention of Deloitte as the Company's independent auditor is in the best interests of the Company and its shareholders. If shareholders do not ratify the appointment of Deloitte as our independent auditors, the Audit Committee will reconsider whether to retain Deloitte and may determine to retain it or another firm without resubmitting the matter to shareholders. Even if the appointment of Deloitte is ratified by shareholders, the Audit Committee may, in its discretion, direct the appointment of a different firm of independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of Deloitte will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to questions from shareholders.

Why the Board recommends you support this Proposal 5:

- The Audit Committee undertakes a robust evaluation process each year to confirm the engagement of Deloitte as our independent auditor continues to be in our shareholders' best interests;
- Deloitte has served as our independent auditor since 2010, which means the firm is well-positioned to handle the breadth and complexity of our vertically integrated business; and
- Deloitte provides only limited services other than audit and audit-related services.

The Board recommends a vote "**For**" ratification of the appointment of Deloitte as our independent auditors for the fiscal year ending January 2, 2027.

## Audit and Other Fees

The aggregate fees billed for professional services by the Independent Auditors in 2025 and 2024 were:

	2025	2024
Audit fees	\$ 1,111,858	\$ 923,000
Audit-related fees	67,152	58,520
Audit and audit-related fees	1,179,010	981,520
Tax fees	159,075	132,931
All other fees	—	—
Total	\$ 1,338,085	\$ 1,114,451

Audit fees in 2025 and 2024 include fees incurred for the annual audit and quarterly reviews of the Company's consolidated financial statements and the annual audit of the Company's internal control over financial reporting for the years ended January 3, 2026 and December 28, 2024, respectively.

Audit-related fees for 2025 and 2024 are related to benefit plan audit and access to an online accounting research tool.

Tax fees for fiscal 2025 and 2024 are primarily for tax compliance services based on time and materials.

## Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission regarding auditor independence, the engagement of the Company's Independent Auditors to provide audit or non-audit services for the Company must either be approved by the Audit Committee before the engagement or entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Our Audit Committee has not established any pre-approval policies or procedures and therefore all audit or non-audit services performed for the Company by the Independent Auditors must be approved in advance of the engagement by the Audit Committee. Under limited circumstances, certain de minimis non-audit services may be approved by the Audit Committee retroactively. All services provided to the Company by the Independent Auditors in 2025 were approved in advance of the engagement by the Audit Committee and no non-audit services were approved retroactively by the Audit Committee pursuant to the exception for certain de minimis services described above.

# OUR PAY

## COMPENSATION COMMITTEE REPORT

Dear Shareholders,

The Compensation Committee remains committed to maintaining an executive compensation program that supports the Company's long-term strategy, strengthens accountability, and drives sustainable value creation. Over the past year, we ensured the program reflects the Company's priorities—advancing operational execution, improving financial performance, and supporting the next phase of the Company's transformation.

In our oversight, we focused on maintaining strong alignment between pay and performance, emphasizing metrics that reinforce disciplined growth, cash generation, and operational improvement. We continued to ensure that a significant portion of executive compensation is tied to measurable results, and that realized pay appropriately reflects Company performance and shareholder experience.

The Committee also supported leadership transitions and organizational changes intended to position the Company for future progress. Throughout these changes, we applied a consistent philosophy: compensation opportunities should be competitive, market aligned and tied to clear expectations, while realized pay must reflect performance.

Looking ahead, we are confident that the compensation programs described in this Compensation Discussion and Analysis (CD&A) effectively support the execution of the Company's strategic priorities, promote financial strength, and reward progress toward long-term shareholder value creation. We appreciate your continued trust and engagement.

The Compensation Committee has reviewed and discussed the following CD&A with management, and based on this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement.

The Management Development and Compensation Committee

Hilary Schneider, Chair

Phillip Eyer

Julie Howard

Deborah Kilpatrick, Ph.D.

# COMPENSATION DISCUSSION AND ANALYSIS

## KEY PAY FACTS

### Who Did We Pay?

Sleep Number provides employment to approximately 3,100 team members, each of whom plays an important role in our operations. We are legally required to focus these disclosures on the compensation of the Company's Named Executive Officers (NEOs), even though every one of our team members contributes to our success. This Compensation Discussion and Analysis (CD&A) describes our executive compensation program, including the objectives and elements of compensation as well as determinations made by the Compensation Committee regarding our NEOs. In 2025, each of these individuals qualified as one of our NEOs:

- Linda Findley, Board Member, President and Chief Executive Officer
- Shelly Ibach, former Chair, President and Chief Executive Officer
- Amy O'Keefe, Executive Vice President and Chief Financial Officer
- Robert Ryder, former interim Chief Financial Officer
- Francis Lee, former Executive Vice President and Chief Financial Officer
- Melissa Barra, Executive Vice President and Chief Product and Enterprise Strategy Officer
- Samuel Hellfeld, Executive Vice President and Chief Legal and Risk Officer and Secretary
- Christopher Krusmark, Executive Vice President and Chief Retail and People Officer
- Andrea Bloomquist, former Executive Vice President and Chief Innovation Officer
- Kevin Brown, former Executive Vice President and Chief Marketing Officer

### Why: Factors Shaping Our Pay Design and Decision Making

The following pages outline our individual pay components and decisions made for 2025. Collectively, our pay practices and decisions were shaped and informed considering the details below:

- Shareholder engagement and feedback;
- A belief in a strong link between NEO pay and financial and operational performance;
- A belief that a majority of NEO pay should be at risk and aligned with both near-and long-term performance;
- Peer group benchmarking;
- Advice from an independent compensation consultant;
- Adherence to pay governance best practices including stock ownership guidelines, clawback policies, double trigger change-in-control provisions and policies against hedging, pledging, insider trading, tax gross ups, options repricing, NEO employment contracts and dividends on unearned performance awards; and
- Integration of pay with risk management, oversight and compliance best practices.

### Shareholder Engagement on Executive Compensation

Every year, Sleep Number provides shareholders the opportunity to approve its executive compensation program on an advisory basis. In 2025, our executive compensation program received the support of 77.63% of votes cast by shareholders versus our prior five-year average of 84.2%. While we have regular outreach and ongoing discussions with shareholders to learn about their perspectives and gather their feedback on a variety of topics, in the months leading up to preparing this Proxy Statement for our 2026 Annual Meeting, we reached out to 23 of our largest shareholders collectively representing approximately 70% of our outstanding shares. This targeted outreach was to discuss executive compensation and corporate governance topics of interest to them. Six shareholders representing approximately 33% of our outstanding shares accepted our invitation to speak. Six shareholders representing approximately 9% of our outstanding shares declined our invitation, and 12 shareholders representing 28% of our outstanding shares did not respond. The Chair of the Board, Phillip Eyler, led most of these meetings with members of the management team in attendance.

In general, we learned that shareholders were supportive of our approach to compensation and feedback did not suggest that we make major changes to the structure of our compensation program. Specifically, shareholders expressed strong support for the Company's shift to use of performance based stock award units that incorporate a total shareholder return (TSR) component as further discussed herein.

In addition to this targeted outreach ahead of the 2026 Annual Meeting, we also regularly engage with our shareholders in the ordinary course of our investor relations activities. In total, between January 2025 and March 2026, we engaged with shareholders representing more than 60% of our outstanding shares.

### Changes Made in 2025

In determining our compensation practices for fiscal year 2025, the Compensation Committee was mindful of feedback provided by shareholders and the results of our most recent advisory vote on executive compensation, as well as the need to execute on our business transformation to create a more durable operating model. For fiscal year 2025, Sleep Number took the following actions:

<b>Category</b>	<b>Description of Changes</b>
Peer Group	Our peer group was updated in 2025 to ensure it continues to reflect our scale, industry and strategic direction as a sleep wellness company.
Annual Incentive Plan (AIP)	We remain committed to defined and measurable AIP goals and metrics. These changes are described in more detail in the AIP section.
Equity Awards	We added a Relative Total Shareholder Return modifier to the 2025 PSU awards granted to our NEOs.

### Changes Made in 2026

In 2026, the Compensation Committee continued to refine our executive compensation program to further align pay with shareholder interests and Company priorities. For 2026 PSU grants, we will continue to use a Relative Total Shareholder Return (TSR) modifier to reinforce alignment with shareholder outcomes. We are also enhancing our performance metrics by incorporating Free Cash Flow (FCF) as a key PSU measure, alongside Net Sales. Free Cash Flow is an increasingly important indicator of our performance in the current environment, as it reflects the Company's ability to convert results into usable cash - supporting debt service and reduction, funding growth initiatives, and strengthening our overall liquidity. The Committee believes this metric appropriately reinforces our operational discipline and value creation.

## Company Performance

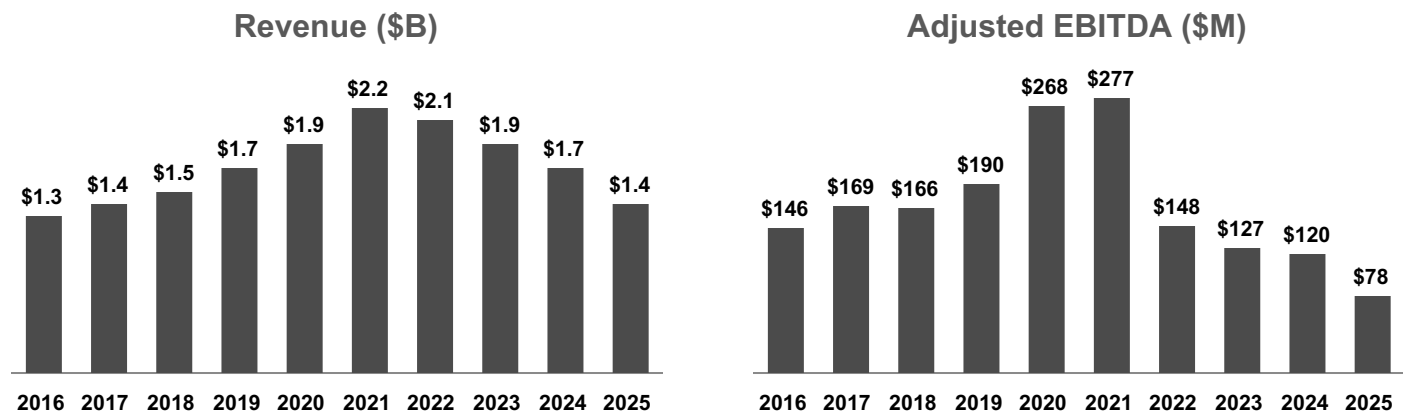
Full-year financial results include:

- Net sales of \$1.4 billion (-16% vs. 2024)
- Net operating loss (NOL) of \$46.6 million (-303.7% vs. 2024)
- Total Operating Expense reduction of \$100.4 million
- Adjusted EBITDA of \$78.3 million (-34.6% vs. 2024)
- Diluted loss per share of \$5.77 down from diluted loss per share of \$0.90 in 2024
- Cash used in operating activities of \$3.3 million and cash used in purchases of capital expenditures of \$14.4 million
- Adjusted return on invested capital (ROIC) of -4.0%
- Net leverage ratio of 4.1x EBITDAR (adjusted EBITDA plus consolidated rent expense) at the end of 2025 vs. covenant maximum of 4.5x; \$58 million of liquidity remained against current credit facility at the end of 2025

### Performance metrics in our compensation program:

Long-term Incentive Plan	
Net Sales growth	
NOP growth	
Relative Total Shareholder Return	
Share price	
Annual Incentive Plan	
Adjusted EBITDA	

The following are historical results on key financial metrics.



Note: For additional information on our non-GAAP financial measures, such as adjusted EBITDA and adjusted ROIC, and their reconciliation to operating income and net income, as applicable, see “Non-GAAP Data Reconciliations” on pages 44 through 46 of our Annual Report on Form 10-K filed on March 12, 2026.

Refer to our Annual Report on Form 10-K filed on March 12, 2026, and our Corporate Sustainability Report, posted within the Investor Relations section of our Company website, for additional information on these and other 2025 financial measures. The information contained in our Corporate Sustainability Report is not incorporated by reference into, or considered a part of, this Proxy Statement.

## Pay and Performance Alignment

The following is a summary of our Company Performance that determined the actual payouts earned for our 2025 Annual Incentive Plan (AIP) and 2023 Performance Stock Units (PSUs). Across all NEOs, realizable pay decreased with declining TSR and financial performance, demonstrating strong pay-for performance alignment. The performance and payouts for these incentive programs are described in more detail later in this CD&A.

Element	Performance Achieved	Payout Earned
<b>2023 PSUs</b> (performance period of fiscal years 2023 through 2025)	Annual growth rate achieved: - 2023: net sales -10.7% and NOP -66.2% - 2024: net sales -10.9% and NOP -0.3% - 2025: net sales -16.1% and NOP -303.7%  Average difference between adjusted ROIC and WACC was -413 basis points	No payout was earned (compared to no payout of target for the 2022 PSUs). The 2023 PSU payout was an average of the percent of target earned by year. - 2023: 0% - 2024: 0% - 2025: 0%  The ROIC modifier did not apply since no payout was earned.
<b>2025 AIP</b>	Adjusted EBITDA for 2025 was \$78.3 million, which was 63% of the goal for target payout.	No payout was earned.

## Benchmarking

With the assistance of independent compensation consultant Frederic W. Cook & Co., Inc. (FW Cook), the Compensation Committee considers market data on base salary, target total cash compensation and target total direct compensation when establishing compensation levels for executive officers. The sources for this market comparison are from peer group pay data (most recent disclosures) and certain retail, technology or general industry surveys from third parties. For each executive, we attempt to match as closely as possible our position to what is most comparable in our peers or the surveys. The Compensation Committee generally seeks to align target total direct compensation opportunities with the market median, while providing opportunity for top quartile compensation for Company performance above established goals and below median compensation for performance below goal. Additionally, performance goals are set with consideration of peer group and industry performance.

### 2025 Peer Group

The Compensation Committee, in consultation with independent compensation consultant FW Cook, annually reviews the appropriateness of the size, structure, business focus and related aspects of the companies in our industry peer group. The selected peer group consists of publicly traded companies whose net sales are within a range of one-third to three times and market cap reasonably within our own comparable metrics, and that are involved in household and home furnishing, appliances or retail industries with a focus on products delivered direct to consumers. The selection criteria also consider factors such as whether the Company has products driven by innovation or services delivered by technology.

The Compensation Committee at its meeting on September 17, 2024, approved the peer group as listed below. The peer group was changed from the prior fiscal year to better reflect Sleep Number’s size and strategic direction. This is the peer group that was utilized in the benchmarking reviewed by the Compensation Committee for compensation actions approved during 2025 including the actions effective in March 2025 and described in this 2026 Proxy Statement:

- Conn’s, Inc. was removed due to their announced bankruptcy
- Haverty Furniture Companies, Inc.’s was added to provide additional furniture retailer representation

The Aaron’s Company, Inc.	La-Z-Boy Incorporated
Arlo Technologies, Inc.	Leggett & Platt, Incorporated
Dolby Laboratories, Inc.	Miller Knoll
Ethan Allen Interiors, Inc.	Peloton Interactive, Inc.
Haverty Furniture Companies, Inc.	RH
HNI Corporation	Steelcase Inc.
Inspire Medical Systems, Inc.	Sonos, Inc.
iRobot Corporation	Somnigroup International Inc. (formerly Tempur Sealy International, Inc.)

At its meeting on September 16, 2025, the Compensation Committee reviewed the peer group composition relative to the selection criteria utilized in evaluating peer companies while considering the strategic direction of Sleep Number. The following adjustments were made to the peer group, which was then utilized in benchmarking for compensation actions considered in early 2026:

- The Aaron’s Company, Inc. was removed as it was acquired by IQVentures in October 2024.
- Dolby Laboratories, Inc. was removed because of its market-capitalization misalignment.
- Beyond, Inc., The Lovesac Company and OneWater Marine Inc. were added.

#### Pay Governance Best Practices

In order to meet the key objectives of our executive compensation program, the Company has adopted a strong corporate governance framework with the following practices and policies that help ensure alignment with shareholder interests. There have been no changes to these policies or practices since the last disclosure in the 2025 Proxy Statement.

Compensation Practice		Sleep Number Policy or Practice
<b>Pay for performance</b>	<b>Yes</b>	A significant percentage of the total direct compensation package is performance based.
<b>Robust stock ownership guidelines</b>	<b>Yes</b>	Executive officers and Directors are subject to stock ownership guidelines.
<b>Annual shareholder “Say on Pay”</b>	<b>Yes</b>	We value our shareholders’ input on our executive compensation programs. Our Board of Directors seeks an annual non-binding advisory vote from shareholders to approve the executive compensation disclosed in our CD&A, tabular disclosures and related narrative of this Proxy Statement.
<b>Annual compensation risk assessment</b>	<b>Yes</b>	A risk assessment of our compensation programs is performed on an annual basis.

Compensation Practice	Sleep Number Policy or Practice
<b>Clawback provisions</b>	<b>Yes</b> We adopted a Nasdaq-compliant Executive Clawback and Forfeiture Policy, replacing our prior clawback and forfeiture policy, that requires the Compensation Committee to seek recoupment, forfeiture or cancellation of certain compensation of our Section 16 officers, as identified by us under Item 401(b) of Regulation S-K, in the event of an accounting restatement due to the material noncompliance of the Company with any financial reporting requirements under the securities law, including any required accounting restatement to correct an error in previously issued financial statements. There is also a clawback provision in both time-based (RSU) and performance-based (PSU) LTI award agreements that allows for the forfeiture and recovery of LTI granted, earned, vested or paid out if the participant violates a confidentiality agreement that must be accepted as a condition of receiving the LTI award.
<b>Independent compensation consultant</b>	<b>Yes</b> The Compensation Committee retains an independent compensation consultant to advise on the executive compensation program and practices and assist in the benchmarking of compensation levels.
<b>Double-trigger vesting</b>	<b>Yes</b> If outstanding LTI grants are assumed or substituted upon a change-in-control, the vesting of the LTI grants will only be accelerated if the executive is terminated without cause or terminates with good reason within two years of the change-in-control (i.e., “double trigger vesting”).
<b>Hedging of Company stock</b>	<b>No</b> Directors, executive officers, director-level and above team members, and other team members designated by the Company from time to time as insiders may not directly or indirectly engage in transactions intended to hedge or offset the market value of Sleep Number common stock (Company securities) owned by them, including, but not limited to, the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Insiders are also prohibited from engaging in short sales of Company securities and from trading in any form of publicly traded options, such as puts, calls or other derivatives of the Company’s securities.
<b>Pledging of Company stock</b>	<b>No</b> Directors, executive officers, director-level and above team members, and other team members designated by the Company from time-to-time as insiders may not directly or indirectly pledge Company securities as collateral for any obligation, including purchasing Company securities on margin, holding Company securities in any account which has a margin debt balance, borrowing against any account in which Company securities are held or pledging Company securities as collateral for a loan.
<b>Tax gross-ups</b>	<b>No</b> We do not provide tax gross-ups to our executive officers, other than for relocation benefits that are applied consistently for all team members.
<b>LTI Grant Practices and Procedures Policy</b>	<b>Yes</b> We have a policy that documents the practices and procedures for making LTI grants to eligible team members including executive officers. This policy specifies approval procedures, timing of awards and the award formulas that determine the number of options or RSUs granted.
<b>Repricing of stock options</b>	<b>No</b> Our equity incentive plan does not permit repricing of stock options without shareholder approval or the granting of stock options with an exercise price below fair market value.
<b>Employment contracts</b>	<b>No</b> None of our NEOs has an employment contract that provides for continued employment for any period of time.

## PAY ELEMENTS: WHAT WE DESIGNED, TARGETED AND PAID

### 2025 Compensation Structure

- Our NEOs' total direct compensation (TDC) is comprised of a base salary, an annual incentive (AIP or bonus) and stock awards or long-term incentive (LTI). Each NEO also had some additional pay elements which are detailed on the Summary Compensation Table and in the pages that follow.
- We generally seek to align TDC opportunity within a competitive range of market median.
- See "New CEO Hire Package" section beginning on page 42 for details on the new hire pay package for our CEO, Linda Findley. In addition, see "New CFO Hire Package" section beginning on page 44 for details on the new hire pay package for our CFO, Amy O'Keefe.
- 32% of our CEO's (Linda Findley) and 45% of our other NEOs' (Amy O'Keefe, Melissa Barra, Samuel Hellfeld, Chris Krusmark) target TDC was performance-based, while 91% of our CEO's and 69% of our other NEOs' target TDC was at-risk.
- To conserve shares utilized, the following changes were made to our LTI practices:
  - We limited the use of Performance Stock Units (PSUs) and continued to exclude the use of Non-Qualified Stock Options, which have a more dilutive effect on our share pool.
  - LTI awards for our NEOs were made in 50% Performance Share Units and 50% Restricted Stock Units;
  - We maintained our methodology for calculating the number of shares issued under the 2020 Plan. Instead of basing the number of shares on the average closing price of the 20 days prior to the grant date (\$12.11), we used the average 2024 share price of \$13.81.
- NEOs' realized pay varies significantly due to the high percentage of TDC that is at risk, as well as the changes in LTI practices; the following pages will illustrate how Sleep Number's compensation plans are closely connected to the Company's performance.

### Base Salary

- The Compensation Committee determines base salaries for NEOs each year considering multiple factors, including positioning against external benchmarks, personal performance and contributions, internal equity, succession planning, retention objectives and budget.
- Salaries comprised 9% of our CEO's and an average of 31% of our other NEOs' TDC in 2025.
- The Compensation Committee approved the salary adjustments below effective April 14, 2025. These decisions were based on recognizing individual performance and contributions, as well as the NEOs' pay positioning against external benchmarks.

Name	Base Salary at April 14, 2024 (Annualized)	Base Salary at April 14, 2025 (Annualized)
Shelly Ibach <sup>(1)</sup>	\$ 1,200,000	\$ 1,200,000
Linda Findley <sup>(2)</sup>	\$ —	\$ 1,200,000
Francis Lee <sup>(3)</sup>	\$ 631,250	\$ 631,250
Amy O'Keefe <sup>(4)</sup>	\$ —	\$ 625,000
Andrea Bloomquist <sup>(5)</sup>	\$ 623,354	\$ 623,354
Kevin Brown <sup>(6)</sup>	\$ 538,777	\$ 538,777
Melissa Barra	\$ 614,482	\$ 614,482
Samuel Hellfeld	\$ 549,938	\$ 577,435
Christopher Krusmark <sup>(7)</sup>	\$ 449,378	\$ 500,000

<sup>(1)</sup> Ms. Ibach role as President and Chief Executive Officer ended on April 6, 2025, but remained in a non-executive management role through May 31, 2025. Ms. Ibach continued to serve as a non-employee strategic consultant to the Company through December 31, 2025.

(2) Reflects Ms. Findley's base salary upon her hire date effective April 7, 2025.

(3) Mr. Lee separated from the Company effective August 15, 2025.

(4) Reflects Ms. O'Keefe's base salary upon her hire date effective December 8, 2025.

(5) Ms. Bloomquist separated from the Company effective May 31, 2025.

(6) Mr. Brown separated from the Company effective April 16, 2025.

(7) Mr. Krusmark's base salary was updated from \$449,378 to \$500,000 effective April 27, 2025, and in connection with his promotion.

## Annual Incentive Plan (AIP)

### Design Overview

All Sleep Number team members participate in a variable pay program as part of our compensation philosophy to create alignment between pay and performance. Our Annual Incentive Plan (AIP) provides our executive officers and approximately 1,000 of our team members with an annual incentive opportunity contingent upon our adjusted EBITDA performance. Our remaining team members are part of personal performance or commission-based variable pay programs.

Adjusted EBITDA is a useful indicator of our annual financial performance and our ability to generate cash flow from operating activities, which we believe to be an important source of our shareholder value creation. We define adjusted EBITDA as net income plus: income tax expense, interest expense, depreciation and amortization, stock-based compensation expense, restructuring costs, CEO transition/proxy contest costs and asset impairments (as detailed in our quarterly and annual financial filings). For additional information on adjusted EBITDA, including a reconciliation to net income see "Non-GAAP Data Reconciliations" on pages 44 through 46 of our Annual Report on Form 10-K filed on March 12, 2026.

The design of our AIP has three main components that determine the amount of the payout earned by our NEOs for Company performance: (a) base salary earned for the fiscal year, (b) the target incentive opportunity (as a % of base salary earned), which is set each year by the Compensation Committee considering market data and the NEO's position and (c) the percent of the target payout earned for the year (based on Company performance measured against goals for adjusted EBITDA). It is the combination of these three components that results in the final AIP payout earned for our NEOs.

$$\begin{array}{c} \text{Base Salary} \\ \text{Earned} \end{array} \times \begin{array}{c} \text{AIP Target} \\ \text{Incentive} \\ \text{(\% of Base Salary)} \end{array} \times \begin{array}{c} \text{\% of Target Payout} \\ \text{(earned for} \\ \text{adjusted EBITDA} \\ \text{performance vs.} \\ \text{goals)} \end{array} = \text{AIP Annual} \\ \text{Payout Earned}$$

### Individual Target Incentive

Each executive officer has a target incentive that is expressed as a percent of the actual base salary earned for the fiscal year. The Compensation Committee reviews these targets annually to ensure that they are aligned within a competitive range of the median target incentives and total cash opportunities of our peers and the market (See "2025 Peer Group" on page 31 and approach to "Benchmarking" on page 31). The 2025 AIP target incentive percentage of base salary did not change for any NEOs.

Name	AIP Target Incentive for 2025 (% of actual base salary earned)
Linda Findley	125%
Other NEOs	70%

## 2025 Performance Goals

The Compensation Committee approved the following performance goals and range of payout opportunities for the 2025 AIP. These goals and payout opportunities were set to provide a strong motivation for achievement of performance objectives and a reasonable sharing rate of incremental adjusted EBITDA. The following is an overview of the goals and payout levels that were approved for the 2025 AIP:

### EBITDA Performance:

- **Target** - The performance goal for the target payout of 100% was set at adjusted EBITDA of \$125.0 million, which was equal to the Company's Annual Operating Plan (AOP) for 2025. This represented a 4.5% increase compared to our 2024 results.
- **Maximum** - The performance goal for the maximum payout of 200% was set at adjusted EBITDA of \$162.0 million, which was 29.6% above AOP and a 35.5% increase over 2024 results. The 200% payout opportunity is designed to reward breakthrough performance.
- **Threshold** - The performance goal for the threshold payout of 25% was set at adjusted EBITDA of \$100.0 million, which was 20.0% below AOP and 16.4% below 2024 results. This represented an appropriate starting point for the threshold payout and was aligned with the approach taken by many of our peers and other similarly sized companies.

	AIP Payout Earned (% of Target)	Annual Adjusted EBITDA Goals (in millions)	% of AOP Achieved
Threshold	25%	\$100	80%
Target	100%	\$125	100%
Maximum	200%	\$162	130%

### 2025 AIP Payout

Our adjusted EBITDA for 2025 was \$78.3 million, down 34.6% from 2024 actual and 37.4% below the Company's AOP, which was the goal for target payout. For this level of adjusted EBITDA, no payout was earned for 2025 AIP. No adjustments were made to our reported adjusted EBITDA results in this determination of the AIP payout for 2025.

The following table shows the full-year AIP target earned for 2025 by each NEO.

Name <sup>(7)</sup>	2025 Base Salary Earned	2025 AIP Target (% of Salary)	2025 AIP Target Incentive Opportunity	2025 AIP Actual Payout Earned \$	2025 Actual Payout Earned %
Shelly Ibach <sup>(1)</sup>	\$ 530,769	140.0%	\$ 743,077	\$ —	—%
Linda Findley <sup>(2)</sup>	\$ 853,846	125.0%	\$ 1,067,308	\$ —	—%
Francis Lee <sup>(3)</sup>	\$ 412,740	70.0%	\$ 288,918	\$ —	—%
Robert Ryder <sup>(4)</sup>	\$ —	—%	\$ —	\$ —	—%
Amy O'Keefe <sup>(5)</sup>	\$ —	—%	\$ —	\$ —	—%
Andrea Bloomquist <sup>(6)</sup>	\$ 275,714	70.0%	\$ 193,000	\$ —	—%
Kevin Brown <sup>(7)</sup>	\$ 171,994	70.0%	\$ 120,396	\$ —	—%
Melissa Barra	\$ 614,482	70.0%	\$ 430,137	\$ —	—%
Samuel Hellfeld	\$ 568,975	70.0%	\$ 398,283	\$ —	—%
Christopher Krusmark	\$ 482,477	70.0%	\$ 337,734	\$ —	—%

<sup>(1)</sup> Ms. Ibach role as President and Chief Executive Officer ended on April 6, 2025, but remained in a non-executive management role through May 31, 2025. Ms. Ibach continued to serve as a non-employee strategic consultant to the Company through December 31, 2025.

<sup>(2)</sup> Reflects Ms. Findley's base salary upon her hire date effective April 7, 2025.

<sup>(3)</sup> Mr. Lee separated from the Company effective August 15, 2025.

<sup>(4)</sup> As interim Chief Financial Officer, Mr. Ryder was not eligible for AIP.

<sup>(5)</sup> Ms. O'Keefe was not eligible for 2025 AIP given her hire date of December 8, 2025.

<sup>(6)</sup> Ms. Bloomquist separated from the Company effective May 31, 2025.

<sup>(7)</sup> Mr. Brown separated from the Company effective April 16, 2025.

## Long-Term Incentive Plan (LTI)

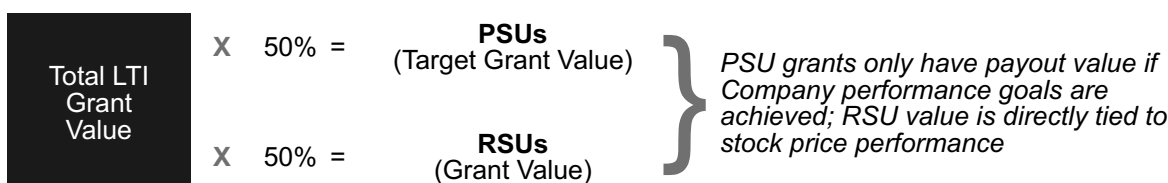
### Design Overview

LTI is the largest component of the total direct compensation opportunity for our executive officers. It provides a reward opportunity that is directly aligned with the long-term interest of our shareholders. Our Performance Share Units (PSUs) only payout value if we achieve long-term Company performance goals; and our Restricted Stock Units (RSUs) value is aligned to our stock price appreciation. The grants have multi-year vesting requirements which also assist in the retention of our executive team, which we believe is especially important to execute our strategy.

In 2025, Sleep Number adjusted its equity plan design for our executive officers in an effort to conserve shares available under the plan. These changes included:

- Limiting the use of Performance Stock Units (PSUs) and eliminating the use of Non-Qualified Stock Options, which have a more dilutive effect on the 2020 Plan;
- Adjusting our methodology for calculating the number of shares issued under the 2020 Plan. (Instead of basing the number of shares on the average closing price of the 20 days prior to the grant date (\$12.11), we used the average 2024 share price of \$13.81.)

The design of our LTI includes two types of annual equity grants: Performance Stock Units (PSUs) and Restricted Stock Units (RSUs). For 2025, our executive officers received an annual total LTI grant value that was split 50% in PSUs and 50% in RSUs. This combination balances performance- and time-based awards to appropriately reward our executive officers for achieving long-term profitable growth and the creation of shareholder value.



As a condition of accepting any LTI grant, our executive officers agree to reasonable restrictions on their activities during and for a reasonable period of time after their respective termination of employment, including, but not limited to, and where permitted by law, the assignment of inventions, non-competition, non-solicitation, confidentiality and an agreement to arbitrate disputes.

### PSU Grants

PSUs become vested on the third anniversary of the grant date, and a percent of target is earned, provided performance exceeds established threshold goals, and paid out based on Company performance against annual growth goals over a three-year performance period. The performance metrics for 2025 PSUs are annual growth in net sales and NOP over fiscal years 2025, 2026 and 2027. At the end of the three-year performance period, the payout for PSUs is determined based on the average of the payouts earned for each of the three years in the performance period, with net sales and NOP equally weighted each year. By assessing growth achieved each year relative to long-term growth goals, our executive officers are able to make the appropriate investments in the business during ever-changing market and competitive environments while prioritizing long-term sustainable profitable growth.

Prior to the grant date, the Compensation Committee established annual growth goals for each of the three years, considering the Company's long-range strategic plan and performance growth targets. Performance against these annual growth goals will determine the percent of target payout earned for net sales and NOP for the entire performance period. The annual measurement for either metric can yield a payout ranging from 50% to 200% of target, with no payout being earned if performance is below the goal for a threshold payout.

New for 2025 PSUs, at the end of the three-year performance period, the payout earned under the PSUs may be adjusted by a relative total shareholder return (TSR) modifier. The adjustment based on TSR is determined based on the schedule below. Under no instance shall the TSR modifier adjust the award above 200% of target.

Performance Levels	Relative TSR Percentile	Relative TSR Modifier
Threshold	Below 25th Percentile	80%
Target	25th - 75th Percentile	100%
Maximum	Above the 75th Percentile	120%

The following chart illustrates how the overall payout for 2025 PSUs, covering the 2025 to 2027 period, will be determined.

Net Sales			NOP		
<b>2025</b>	Net sales	<i>% of target payout earned for net sales each year</i>	<b>2025</b>	NOP	<i>% of target payout earned for NOP each year</i>
<b>2026</b>	annual growth		<b>2026</b>	annual growth	
<b>2027</b>	each year		<b>2027</b>	each year	
Three-year average % of target earned for net sales			Three-year average % of target earned for NOP		
<b>Overall payout:</b>	Average of the % of target payout earned for net sales and NOP each year (equal weighting) times the target number of PSUs granted; then subject to a relative TSR modifier.				

In an effort to conserve shares issued under the Plan, the target number of PSUs for the 2025 award was determined by dividing the grant value (equal to 50% of the executive officer's total LTI grant value) by the average 2024 share price of \$13.81. See the footnotes to the "Summary Compensation Table" on page 49 and "Grants of Plan-Based Awards" on page 51 for a description of how grant date fair value is determined for purposes of the disclosure in these tables.

#### RSU Grants

Restricted stock units vest in three equal annual installments on each of the anniversaries following the grant date. The number of stock options granted in 2025 was determined by dividing the RSU grant value (50% of the executive officer's total LTI grant value) by the average 2024 share price of \$13.81. See the footnotes to the "Summary Compensation Table" on page 49 and "Grants of Plan-Based Awards" on page 51 for a description of how grant date fair value is determined for purposes of the disclosure in these tables.

#### LTI Grant Values

The Compensation Committee approves a total LTI grant value for each executive officer, considering the executive officer's performance and level of responsibility, as well as the competitive positioning of the officer's targeted total direct compensation. The Compensation Committee seeks to make annual LTI grants to provide a total direct compensation opportunity that is within a competitive range of the market median.

The following table summarizes the annual LTI grants made to our NEOs in 2025, and the split in grant value between PSUs (50%) and RSUs (50%). See "Grants of Plan-Based Awards" on page 51 for more information on these awards. As noted earlier, the number of PSUs and RSUs granted was based on the average 2024 share price of \$13.81 rather than basing the number of shares on the average closing price of the 20 days prior to the grant date (\$12.11), which has been our historical practice for calculating the number of shares issued under the 2020 Plan.

**Annual LTI Grants during 2025  
(Granted March 15, 2025, except as noted below)**

Name	PSU Grant Value at Target	RSU Grant Value	Total Intended LTI Grant Value (Shares Determined Using 2024 Avg Share Price of \$13.81)	Grant Date Fair Market Value (Based on Grant Date Price of \$7.35)
Linda Findley <sup>(1)</sup>	\$ 2,500,000	\$ 7,500,000	\$ 10,000,000	\$ 3,671,258
Francis Lee <sup>(2)</sup>	\$ 550,000	\$ 550,000	\$ 1,100,000	\$ 585,457
Andrea Bloomquist <sup>(3)</sup>	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 532,228
Kevin Brown <sup>(4)</sup>	\$ 337,500	\$ 337,500	\$ 675,000	\$ 359,253
Melissa Barra	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 532,228
Samuel Hellfeld	\$ 412,500	\$ 412,500	\$ 825,000	\$ 439,089
Christopher Krusmark	\$ 275,000	\$ 275,000	\$ 550,000	\$ 292,736

<sup>(1)</sup> The Compensation Committee approved a special LTI grant for Ms. Findley as part of her CEO hiring package. The LTI grant value was \$10,000,000. This grant was in the form of PSUs and RSUs weighted 25% and 75%, respectively. The date of the grant was April 15, 2025. The average 2024 share price of \$13.81 was used to align Ms. Findley's awards with other team members. The PSU award has a cliff vesting of three years and includes the same performance metrics as the other NEOs. The RSU awards vest ratably over three years with the award becoming fully vested three years from the date of grant subject to the terms and conditions of the applicable award agreements. The grant date fair value listed in the table above is based on \$5.07, the closing price of the Company's common stock on the Nasdaq Stock Market on April 15, 2025. See "Grants of Plan-Based Awards" on page 51 for more information on these awards.

<sup>(2)</sup> Mr. Lee separated from the Company effective August 15, 2025. Mr. Lee forfeited the LTI grants upon separation.

<sup>(3)</sup> Ms. Bloomquist separated from the Company effective May 31, 2025. Ms. Bloomquist forfeited 33,662 shares of the RSU grant and 33,665 shares of the PSU grant upon separation. In accordance with the retirement provisions of the award agreements, 2,544 shares vested of the RSU grant upon separation and 2,541 shares of the PSU grant remain outstanding and unvested until March 2028.

<sup>(4)</sup> Mr. Brown separated from the Company effective April 16, 2025. Mr. Brown forfeited 23,725 shares of the RSU grant and 23,726 shares of the PSU grant upon separation. In accordance with the retirement provisions of the award agreements, 714 shares vested of the RSU grant upon separation and 713 shares of the PSU grant remain outstanding and unvested until March 2028.

Note: The actual grant date fair value for these LTI grants as disclosed in the Summary Compensation Table varies from the amounts shown above due to share count rounding and valuation assumptions as described in the footnotes to the "Grants of Plan-Based Awards" on page 51. Ms. Ibach did not receive LTI grants for 2025 as she announced her retirement in October 2024, Mr. Ryder did not receive LTI grants for 2025 as he was a non-employee of the Company and Ms. O'Keefe did not receive LTI grants for 2025 as she was hired effective December 8, 2025.

### 2023 PSU Payout

The 2023 PSUs covering the 2023 to 2025 period, which are similar in design to the 2024 PSUs, were granted on March 15, 2023 and vested on March 15, 2026. Based on net sales and NOP annual growth over the three fiscal years (2023, 2024 and 2025), no payout was earned for the 2023 PSUs.

The following are the annual growth goals that were established for the 2023 PSU grant.

	% of Target Payout Earned	Annual Growth in Net Sales	Annual Growth in NOP	Average Difference in Basis Points Between Adjusted ROIC and WACC	% Reduction in Target Number of PSUs
Threshold	50%	3%	4%	300 or more	No reduction
Target	100%	5%	8%	200 to 299	-5%
Maximum	200%	12%	12%	100 to 199	-10%
				1 to 99	-15%
				0 or less	-20%

The following chart shows the actual performance achieved for the performance period and how the total payout for 2023 of 0% of target was determined.

	Net Sales (\$M)	% Annual Growth	% of Target Earned	NOP (\$M)	% Annual Growth <sup>(2)</sup>	% of Target Earned	Average % of Target Earned
2023	\$1,887	-10.7%	0%	\$22.9	-66.2%	0%	0%
2024	\$1,682	-10.9%	0%	\$22.9	-0.3%	0%	0%
2025	\$1,411	-16.1%	0%	\$(46.6)	-303.7%	0%	0%
	<b>Three-year average:</b>		<b>—%</b>	<b>Three-year average:</b>		<b>0%</b>	<b>0.0%</b>

**Total payout actually earned: 0% of target**

(equal weighting of average payout earned on Net Sales and NOP)

The following chart shows the calculation of the average difference between adjusted ROIC and WACC for the performance period.

	Adjusted ROIC	WACC	Adjusted ROIC Premium in Basis Points vs. WACC
2023	7.8%	9.1%	-130
2024	7.6%	7.8%	-20
2025	(4.1)%	6.8%	-1,090
	<b>Three-year average:</b>		<b>-413</b>

ROIC modifier was not applied to this payout due to no payouts being earned. The three-year average discount of 413 basis points would have reduced the payout by 20%.

**Long-Term Retention Awards**

On March 12, 2025, concurrent with the appointment of the Company's new CEO, the Compensation Committee approved cash-based retention awards for members of the executive management team in amounts ranging from \$300,000 to \$800,000 in view of the Company's retention profile and prevailing market practices for executive retention during a CEO transition. The awards were structured in cash to preserve shares available under the Plan and vest in equal installments on the first and second anniversaries of the awards subject to continued employment and other terms such that they are forfeited if the continued service requirement is not satisfied. Ms. Barra and Mr. Hellfeld each received awards valued at \$800,000, Mr. Lee, Ms. Bloomquist and Mr. Krusmark each received awards valued at \$600,000, and Mr. Brown received an award valued at \$300,000. Mr. Lee, Ms. Bloomquist and Mr. Brown's awards were forfeited because they did not meet the continued employment requirement.

**Benefits and Perquisites**

Benefits

Our executive officers participate in the benefit programs provided to our benefit eligible team members. This includes Company provided medical, dental, basic life, short-term disability, long-term disability and a matched 401(k) plan. Our NEOs participate in the 401(k) plan on the same basis as all other team members. There is no supplemental matching program, excess plan or other executive retirement program. The value of the 401(k) matching contribution made by the Company for our NEOs is included in "All Other Compensation" as disclosed in the "Summary Compensation Table" on page 49. Effective October 10, 2025, the Company suspended the 401(k) matching contribution due to current business performance.

Non-Qualified Deferred Compensation Plan

As described in more detail on page 54, our executive officers, along with other leaders, may elect to defer a portion of their salary, AIP payout and PSU/RSU payout under this non-qualified deferred compensation plan. The Company does not make any contributions to this plan on behalf of participants. The plan offers a range of investment options for the

tracking of an investment return on the deferrals, and participants can elect how their deferrals will be distributed in the future.

### Executive Benefits and Perquisites

Consistent with our commitment to emphasize pay for performance in our mix of total compensation, our executive officers receive very few executive benefits and perquisites. The Company provides two perquisites to our executive officers – financial counseling and an annual executive physical exam. The annual limit for financial counseling was \$20,000 for our CEO and \$10,000 for our other NEOs. The Company pays for the cost after insurance coverage of an annual executive physical exam. Amounts reimbursed for financial counseling or the executive physical exam are fully taxable to the executive, and there is no “gross up” by the Company to cover these taxes for the executive. Additionally, the Compensation Committee approved the payment of certain one-time security enhancement costs and ongoing security monitoring expenses for Ms. Ibach when she was CEO that were recommended as part of a security study conducted by an independent third-party security consultant. The total amount paid by the Company in 2025 that was included in the “All Other Compensation” column of the “Summary Compensation Table” on page 49 was \$25,574, which represents security monitoring costs for Ms. Ibach. Ms. Findley did not incur any security costs in fiscal year 2025.

### Employment Agreements

We do not have employment agreements with any of our executive officers that provide for continued employment for any period of time.

### Severance Plan

Our executive officers and other key leaders of the Company participate in the Sleep Number Executive Severance Pay Plan. This plan provides for severance pay, prorated incentive payment and other benefits such as outplacement and limited COBRA reimbursement in the event of involuntary termination of employment not for cause or termination for good reason, including for events following a change-in-control, as those terms are defined in the plan. This plan is described in more detail in the compensation table in the section labeled “Potential Payments Upon Termination or Change in Control” starting on page 55.

## **Compensation Related to CEO Transition**

### CEO Transition and Advisory Agreement

As previously disclosed, on October 24, 2024 we entered into a Transition and Advisory Agreement with Ms. Ibach to facilitate a smooth leadership transition and ensure that the Company continues to benefit from Ms. Ibach’s relationships with key partners and suppliers and institutional knowledge. Pursuant to the agreement, Ms. Ibach retired as Chair at the 2025 Annual Meeting and thereafter served as a strategic advisor to the Board of Directors through the end of 2025.

As further described in a Form 8-K filed by Sleep Number on October 30, 2024, in exchange for Ms. Ibach remaining as an advisor with the Company, Ms. Ibach’s outstanding performance adjusted restricted stock unit (“PSU”) and stock option awards issued under our 2020 Equity Incentive Plan, as amended, (“2020 Plan”) were treated in accordance with the retirement provision of the award agreements, which provided for the treatment of such awards in the event of Ms. Ibach’s retirement at or beyond age 60 with five or more years of service with Sleep Number; provided, however, the Compensation Committee waived the requirement, as applicable, that Ms. Ibach provides written notice of her intention to retire one year before her actual retirement date. Under such retirement treatment, Ms. Ibach’s outstanding PSU and stock option awards became fully vested upon her separation of employment from Sleep Number, and options will remain exercisable for three years after her separation of employment from Sleep Number, subject to a maximum exercise period of 10 years from the original grant date of the option awards. Ms. Ibach’s outstanding RSU awards issued under the 2020 Plan became fully vested upon her separation of employment from Sleep Number and were treated in accordance with the RSU award agreements provided that we waived the requirement that Ms. Ibach remain in continuous employment or service with Sleep Number during the regular vesting period set forth in the RSU award agreements.

In fiscal 2024, the Summary Compensation Table reflected the grant or modification date fair value of awards modified under Ms. Ibach's Transition and Advisory Agreement, computed in accordance with FASB ASC Topic 718, in fiscal year 2024. See "Compensation related to CEO Transition" on pages 46 and 47 of our Definitive Proxy Statement filed on April 18, 2025 for additional information.

#### New CEO Hire Package

In connection with Linda Findley's appointment as CEO on April 7, 2025, the Company entered into an offer letter with Ms. Findley that documents, among other things, her compensation and employment terms. After the letter was executed, but prior to Ms. Findley's start date and the grant date under her equity inducement awards, we reported our financial results for 2024 and provided details of our financial outlook. The Company's stock price declined significantly on and after the date of that report. Because Ms. Findley's inducement grant of equity was to be based, in some circumstances, on the stock price on the grant date (which was subsequent to the stock price decline), Ms. Findley, the Compensation Committee and independent Directors, recognized that the inducement grant as originally structured would create more dilution than they anticipated at the time the offer letter was executed.

The Company and Ms. Findley reached an agreement to restructure the inducement grant, in the interests of shareholders, by using a notional share price based on the average closing price in 2024 to calculate the number of shares to be granted, adding additional performance metrics to the vesting conditions and as a multiplier on some of the equity awards and providing for a cash sign-on bonus, a portion of which Ms. Findley requested to use to purchase the Company's stock in the open market subject to our Insider Trading Policy.

The Compensation Committee, together with the other independent Directors, spent a significant amount of time evaluating and preparing Ms. Findley's compensation package with the Compensation Committee's independent compensation consultant. In approving the final terms of Ms. Findley's compensation package, including the amendments to the initial compensation structure, they considered, among other things:

- Sleep Number's critical need for a qualified leader to continue the business transformation;
- Ms. Findley's experience and track record of performance and achievement in her previous roles;
- Ms. Findley's total target direct compensation and benefits in her previous role;
- Sleep Number's peer group, and the total compensation opportunity for CEOs of companies with whom the Company competes for talent;
- Our recent stock price decline; and
- The alignment of Ms. Findley's compensation package with the Company's pay for performance philosophy.

Based on such considerations, the Compensation Committee and the other independent Directors ultimately approved a compensation package for Ms. Findley as summarized below. Notably, the Compensation Committee determined not to increase her total direct compensation for 2026.

Compensation Element	Description	Rationale
Base Salary	Annual base salary of \$1,200,000	Provides a predictable level of income
Annual Incentive Award	125% of base salary (target); 25% of target (threshold); 200% of target (maximum) <sup>(1)</sup>	Ties upside earning opportunity to Company and individual performance results
Annual Long-Term Incentive Award	Annual equity awards with a target value of \$5,000,000, with normal annual grants commencing in 2026. The current mix of the annual award is comprised of performance stock units (50%) and time vested restricted stock units (50%).	Aligns Ms. Findley's interests with those of our shareholders and motivates and rewards exceptional performance.

Compensation Element	Description	Rationale
Inducement Equity Grant – Time-Based RSUs with Performance Modifier	<p>One-time RSU with Performance Modifier award of 362,057 shares.</p> <ul style="list-style-type: none"> <li>Award vests ratably over 3 years</li> <li>The final number of shares vesting may be modified based on the average closing share price for the 20-days prior to the vesting, with 100% vesting if the average share price is at or below \$13.81, 125% vesting if the average share price is \$30.00 and 200% vesting if the average share price is greater than or equal to \$50.00. Payouts will be interpolated between the points noted above.</li> </ul>	<p>Aligns Ms. Findley's interests with those of our shareholders and motivates and rewards exceptional performance.</p> <p>Aligns Ms. Findley's awards with that of all other team members and the Directors by basing the number of shares granted on the share price of \$13.81, the average closing price in 2024.</p> <p>Necessary to attract and retain a qualified leader like Ms. Findley.</p>
Inducement Equity Grant – Performance Share Units	<p>2025 PSU award of 181,028 shares.</p> <ul style="list-style-type: none"> <li>Award cliff vests in 3 years.</li> <li>Performance metrics include Net Sales and Net Operating Profit in fiscal years 2025, 2026, and 2027.</li> <li>The final number of shares vesting may be modified based on the Company's relative Total Shareholder Return (rTSR) versus the S&amp;P 1500 Specialty Retail Index such that the award may be increased by 20% if the Company's rTSR is within the top 25<sup>th</sup> percentile of the index, and may be decreased by 20% if the Company's rTSR falls within the bottom 25<sup>th</sup> percentile of the index. No modification would occur if the Company's rTSR performance is between the 25<sup>th</sup> and 75<sup>th</sup> percentile.</li> </ul>	
Inducement Equity Grant – Time-Based RSUs	<p>2025 RSU award of 181,029 shares.</p> <ul style="list-style-type: none"> <li>Award vests ratably over 3 years.</li> </ul>	
Inducement Cash Award	<p>Sign-on cash bonus of \$2,500,000 to be paid in three installments: first installment of \$1,250,000 on April 15, 2025, the second installment of \$625,000 on April 15, 2026, and the third installment of \$625,000 on April 15, 2027; Ms. Findley will use the after-tax proceeds from the first installment to buy, or enter into a trading plan to buy, common stock in the open market in the Company's next open trading window, subject to the Insider Trading Policy.</p> <p>Ms. Findley purchased 104,520 shares of the Company's common stock at prices between \$7.01 and \$7.58 in May 2025.</p>	<p>Aligns Ms. Findley's interests with those of shareholders by requiring Ms. Findley to use the after-tax proceeds from the first installment to buy, or enter into a trading plan to buy, shares of the Company's common stock in the open market.</p> <p>Necessary to attract and retain a qualified leader like Ms. Findley.</p>
Benefits and Perquisites	<p>Company-provided medical dental, basic life, short-term disability, long-term disability, matched 401(k) plan, non-qualified deferred compensation plan, financial counseling, executive physical and relocation assistance.</p>	<p>Benefits are substantially similar to what are provided to other company employees</p> <p>Necessary to attract and retain a qualified leader like Ms. Findley.</p>

(1) No payout was earned for 2025 AIP. See "Annual Incentive Plan (AIP): 2025 AIP Payout" on page 36 for additional details.

### Interim CFO Appointment

On July 18, 2025, the Company appointed Robert P. Ryder as the interim Chief Financial Officer (CFO) of the Company. The Company paid a weekly fee of \$58,750 as compensation for Mr. Ryder's interim services, as well as reimbursement of Mr. Ryder's reasonable and authorized travel expenses related to performance of the services. Mr. Ryder's interim CFO services ended December 8, 2025, and he continued to serve in an advisory role until December 12, 2025.

### New CFO Hire Package

On November 28, 2025, the Company appointed Amy K. O'Keefe as the Executive Vice President and CFO of the Company effective December 8, 2025. Ms. O'Keefe's compensation package is summarized below:

<b>Compensation Element</b>	<b>Description</b>
Base Salary	Annual base salary of \$625,000
Annual Incentive Award	70% of base salary (target); 25% of target (threshold); 200% of target (maximum) beginning in fiscal 2026
Annual Long-Term Incentive Award	Annual equity awards with a target value of \$1,200,000, with normal annual grants commencing in March 2027. The current mix of the annual award is comprised of performance stock units (50%) and time vested restricted stock units (50%).
Inducement Equity Grant – Time-Based RSUs	One-time RSU award with a value of \$400,000 (69,742 shares) granted on December 15, 2025. <ul style="list-style-type: none"><li>Award vests ratably over 3 years</li></ul>
Inducement Equity Grant – Performance Share Units	PSU award with a value of \$800,000 (89,286 shares) granted on March 16, 2026 <ul style="list-style-type: none"><li>Award cliff vests in 3 years.</li><li>Performance metrics include Net Sales and Net Operating Profit in fiscal years 2026, 2027 and 2028.</li><li>The final number of shares vesting may be modified based on the Company's relative Total Shareholder Return (rTSR) versus the S&amp;P 1500 Specialty Retail Index such that the award may be increased by 20% if the Company's rTSR is within the top 25<sup>th</sup> percentile of the index, and may be decreased by 20% if the Company's rTSR falls within the bottom 25<sup>th</sup> percentile of the index. No modification would occur if the Company's rTSR performance is between the 25<sup>th</sup> and 75<sup>th</sup> percentile.</li></ul>
Inducement Equity Grant – Time-Based RSUs	RSU award with a value of \$600,000 (66,965 shares) granted on March 16, 2026 <ul style="list-style-type: none"><li>Award vests ratably over 3 years.</li></ul>
Relocation Expense	One-time relocation payment of \$150,000 plus an additional amount based on a 40% tax rate to help cover applicable taxes for a total payment of \$250,000 subject to tax withholding.
Benefits and Perquisites	Company-provided medical dental, basic life, short-term disability, long-term disability, matched 401(k) plan, non-qualified deferred compensation plan, financial counseling, executive physical and relocation assistance.

## COMPENSATION OVERSIGHT AND PROCESSES

### Compensation Philosophy and Approach

Our executive compensation program is designed to support our long-term strategic orientation. It is competitive, heavily weighted toward performance-based incentive programs and allows for appropriate risk taking and investments in the business as we execute our strategy. Our incentive programs reward our executive officers for superior performance to deliver sustainable, profitable growth. The incentive opportunities are tied to multiple financial metrics that support our business strategy and are aligned with stakeholder interests.

Our executive compensation program is designed to:

- Attract, motivate and retain a talented management team to achieve superior Company performance that is sustainable over time;
- Provide a market competitive total compensation opportunity that is predominantly performance based and at risk;
- Reward executives for achieving financial performance goals and creating shareholder value; and
- Reinforce our philosophy of pay for performance with opportunities to earn market competitive compensation.

### Tax Considerations

Section 162(m) of the Internal Revenue Code generally places a \$1 million limit on the amount a publicly held Company can deduct in any tax year on compensation paid to each “covered employee” which includes our NEOs. While the Compensation Committee considers tax deductibility as one of many factors in determining executive compensation, the Compensation Committee will award or modify compensation that it determines to be consistent with the goals of our executive compensation program even if such compensation is not tax deductible by the Company.

We currently expect that we will continue to structure our executive compensation program consistent with our pay for performance philosophy so that a significant portion of total executive compensation is linked to Sleep Number’s performance.

### Compensation Committee and Governance

The Compensation Committee is comprised entirely of independent, non-employee Directors. The key responsibilities of the Compensation Committee as outlined in its charter include:

- Review and approve the Company’s compensation philosophy;
- Establish executive compensation structure and programs designed to motivate and reward superior Company performance;
- Lead the Board of Directors’ annual process to evaluate the performance of the CEO;
- Determine the composition and value of compensation for the CEO and other executive officers including base salaries, annual cash incentive awards, long-term equity-based awards, benefits and perquisites;
- Establish, administer, amend and terminate executive compensation and major team member benefit programs;
- Periodically review the Company’s succession and management development plans for the CEO and other executive officers;
- Periodically review the Company’s objectives and programs for talent management, including initiatives focused on wellbeing and diversity, equity and inclusion;
- Assess management development progress and talent depth, organizational strategy and succession planning for key leadership positions in the context of the Company’s strategic, operational and financial growth objectives; and
- Establish structure and amount of non-employee Director compensation.

To the extent determined by the Compensation Committee, and subject to the requirements of applicable law, the Compensation Committee may delegate duties and responsibilities to one or more members of the Compensation Committee or others.

The Compensation Committee usually meets five to six times per year, in person or virtually to conduct normal committee business. Our CEO and certain members of our management team and the Compensation Committee's independent compensation consultant may be invited to attend all or a portion of a Committee meeting, depending on the nature of the agenda. The Compensation Committee meets in executive session, as needed, without members of management present. In addition to these normal meetings, in 2025 the Compensation Committee held several additional ad hoc meetings relating to CEO succession planning.

Our CEO nor any other member of our management team votes on any matters before the Compensation Committee. The Compensation Committee, however, solicits the views of our CEO on compensation matters, other than her own, and particularly with respect to the compensation of members of the management team reporting to the CEO. The Compensation Committee also solicits the views of other members of senior management and the Company's Human Resources leaders on topics related to key compensation elements and broad-based team member benefit plans.

#### Role of Independent Compensation Consultant

Under its charter, the Compensation Committee has the authority to retain and consult with independent advisors to assist in fulfilling their responsibilities and duties. To maintain the independence of these advisors, use by the Company of any of these advisors for work other than that expressly commissioned by the Compensation Committee must be approved in advance by the Compensation Committee.

Since fiscal 2013, the Compensation Committee has retained FW Cook as its independent compensation consultant. At the Compensation Committee's request each year, FW Cook certifies that it continues to be an independent advisor and discloses information in a letter to the Compensation Committee that demonstrates this independence. The Compensation Committee assessed this certification and disclosure information and concluded that no conflict of interest or independence concerns exist in the engagement of FW Cook as the Compensation Committee's independent compensation consultant. In the course of its engagement, the independent compensation consultant:

- Provides on-going assessment of each of the principal elements of the Company's executive compensation program;
- Advises the Compensation Committee on the design of both the annual cash incentive plan and the long-term equity incentive program;
- Works with the Compensation Committee and representatives of senior management to assess and refine the Company's peer group for ongoing comparative analysis purposes;
- Provides the Compensation Committee with updates related to regulatory and legislative matters;
- Reviews market data, trends and analyses based on proxy data for our peers and other data sources to inform executive compensation levels and design; and
- Provides advice and guidance to the Compensation Committee on pay actions for executives.

#### CEO Assessment Process

The Compensation Committee evaluates the CEO's performance by soliciting input from all members of the Board. The Board also assesses the CEO's performance against objectives incorporating key strategic and operational factors, including growth, profitability, innovation, advancement of strategic initiatives, leadership, organizational development, integrity and stakeholder relations. The CEO performance feedback from all independent Board members is consolidated into a report which is the basis of a full Board discussion in Executive Session led by the Chair of the Compensation Committee. The Board's assessment of CEO performance is a major consideration in determining any compensation adjustments for the coming year.

### Compensation Risk Assessment

Based on an annual risk assessment, the Company has determined that none of its compensation policies, practices or programs is reasonably likely to have a material adverse effect on the Company. The results of this risk assessment were shared with the Compensation Committee.

### Insider Trading Policy

We have adopted an Insider Trading Policy that applies to our Directors, officers and all team members who have access to material, nonpublic information regarding Sleep Number. As described in the policy, filed as Exhibit 19.1 to the Company's Annual Report on Form 10-K filed on March 12, 2026, the policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and Nasdaq listing standards.

### Grant of Certain Equity Awards

Similar to 2024, in 2025 we adjusted our equity plan design for our executive officers in an effort to conserve shares available under the plan. During the last completed fiscal year no options, SARs or similar option-like instruments were awarded to our executive officers or any other team member. In the past when we have granted option awards, we granted those options annually on March 15 which is generally within two weeks of when we publicly announce our financial results for the fourth quarter and full fiscal year. Our interim equity grants during the year (for example, to newly hired or promoted team members) occurs on the 15th of the month (or the next business day) following their hire or promotion date.

### Policies and Practices Related to the Grant of Certain Equity Awards Close in Time to the Release of Material Nonpublic Information

During fiscal 2025, we did not grant any stock options or similar awards as part of our equity compensation program. Our fiscal 2025 equity compensation program for executive officers consisted of a mix of PSU and RSU awards. With respect to the timing equity awards, it is our policy to make annual executive equity grants on March 15. Our practice with respect to the timing of annual non-employee Director equity grants is the date of the Annual Meeting. If stock options or similar awards are granted in the future, we intend to avoid granting stock options or similar awards in anticipation of the release of material nonpublic information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement, and not time the public release of such information based on stock option grant dates. We have not intentionally timed any prior option, SARs or similar option-like equity awards to coincide with the release of material non-public information.

### Grant Practices Specific to Stock Options

We do not currently grant stock options as part of our equity compensation programs. If stock options were to be granted in the future, the Company would not grant such options in anticipation of the release of material nonpublic information that is likely to result in changes to the price of our common stock. In addition, we generally do not grant stock options at any time during the four business days prior to or the one business day following the filing of our periodic reports or the filing or furnishing of a Form 8-K that discloses material nonpublic information. These restrictions do not apply to RSUs, PSUs, or other types of equity awards that do not include an exercise price related to the market price of our common stock on the date of grant. During fiscal year 2025, (i) none of our NEOs were awarded stock options with an effective grant date during any period beginning four business days before the filing or furnishing of a Form 10-Q, Form 10-K, or Form 8-K that disclosed material nonpublic information, and ending one business day after the filing or furnishing of such reports, and (ii) we did not time the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

### Stock Ownership Guidelines

Encouraging stock ownership among our executive officers is critical in aligning their interests with those of our shareholders. The Company has a stock ownership guideline policy in place for executive officers as well as for

Directors. Under the policy, all executive officers and non-employee Directors are expected to achieve the ownership guideline within five years of first becoming an executive officer or being initially elected to the Board.

According to the policy, the stock ownership value for executive officers includes: (a) shares owned outright, (b) shares held in the Profit Sharing and 401(k) Plan or the Executive Deferral Plan, (c) after-tax intrinsic value of vested and outstanding stock options, and (d) after-tax value of outstanding PSUs (prorated to the extent that any year of the performance period has been completed and the payout for that year is known). For non-employee Directors, the stock ownership value includes: (a) shares owned outright, (b) shares deferred in lieu of Director fees, (c) shares deferred from vested RSU awards, and (d) unvested and outstanding RSU awards.

Until the guideline is met, executive officers are required to hold 50% of the net shares from the vesting or payout of any LTI grant or from the exercise of stock options. For non-employee Directors, they are not permitted to sell any shares except to the extent required to pay the exercise price, transaction costs and taxes applicable to the exercise of stock options or vesting of RSUs. As of the end of fiscal year 2025, the table below summarizes the current ownership levels compared to the ownership guideline.

	<b>Ownership Guideline</b>	<b>Current Ownership<sup>(1)</sup></b>
CEO	5 x annual base salary	<b>3.4 x</b>
Average of NEOs (other than CEO)	3 x annual base salary	<b>1.0 x</b>
Average of Non-employee Directors	5 x annual cash retainer	<b>4.9 x</b>

<sup>(1)</sup> Current ownership as determined under the stock ownership guideline policy and based on a closing share price on January 3, 2026, of \$8.59.

As the table shows, current ownership levels are below guidelines for NEOs. This is attributed to the decline in share price in 2024 and 2025. Under our Stock Ownership Guidelines, the CEO has five years to meet the guidelines; Ms. Findley has not yet met the five times ownership requirements due to her recent hire. Total shares owned outright by each NEO increased in 2025 (not counting what is considered ownership for vested stock options or the earned portion of outstanding PSUs).

## KEY TABLES AND GRAPHS

### Summary Compensation Table

The following table contains compensation information for the last three fiscal years relating to the NEOs. Note that the AIP awards earned for each fiscal year are reported under the heading “Non-Equity Incentive Plan Compensation.” The values shown under the headings “Stock Awards” and “Option Awards” are the grant date fair values of the awards received in each fiscal year. This does not represent what was earned or paid out for these awards due to performance. The details of our NEOs’ compensation are discussed in the Compensation Discussion and Analysis beginning on page 28.

Name And Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards <sup>(1)(2)</sup> (\$)	Option Awards <sup>(1)(3)</sup> (\$)	Non- Equity Incentive Plan Compensation <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
Linda A. Findley President and CEO <sup>(6)</sup>	2025	\$ 853,846	1,250,000	\$ 4,104,519	\$ —	\$ —	25,209	\$ 6,233,574
Shelly R. Ibach Former President and CEO <sup>(7)</sup>	2025	\$ 530,769	\$ —	\$ —	\$ —	\$ —	1,115,497	\$ 1,646,266
	2024	\$ 1,200,000	\$ —	\$ 3,357,129	\$ 983,001	\$ 1,004,640	38,639	\$ 6,583,409
	2023	\$ 1,200,000	\$ —	\$ 3,444,144	\$ 1,165,494	\$ 420,000	119,553	\$ 6,349,191
Francis K. Lee Former EVP and CFO <sup>(8)</sup>	2025	\$ 412,740	\$ —	\$ 602,583	\$ —	\$ —	1,098,834	\$ 2,114,157
	2024	\$ 629,327	\$ —	\$ 656,286	\$ —	\$ 263,436	22,298	\$ 1,571,347
	2023	\$ 228,365	\$ 300,000	\$ 1,431,245	\$ 1,194,801	\$ —	10,488	\$ 3,164,899
Robert P. Ryder Former Interim CFO <sup>(9)</sup>	2025	\$ —	\$ —	\$ —	\$ —	\$ —	1,264,562	\$ 1,264,562
Amy K. O’Keefe EVP and CFO <sup>(10)</sup>	2025	\$ 24,038	\$ —	\$ 570,490	\$ —	\$ —	60	\$ 594,588
Andrea Bloomquist Former EVP and Chief Innovation Officer <sup>(11)</sup>	2025	\$ 275,714	\$ —	\$ 547,797	\$ —	\$ —	1,085,369	\$ 1,908,880
	2024	\$ 618,130	\$ —	\$ 546,910	\$ —	\$ 258,749	18,201	\$ 1,441,990
	2023	\$ 599,712	\$ —	\$ 823,038	\$ 278,483	\$ 103,783	18,468	\$ 1,823,484
Kevin K. Brown Former EVP and Chief Marketing Officer <sup>(12)</sup>	2025	\$ 171,994	\$ —	\$ 369,762	\$ —	\$ —	937,306	\$ 1,479,062
Melissa Barra EVP and Chief Sales and Services Officer	2025	\$ 614,482	\$ —	\$ 547,797	\$ —	\$ —	30,032	\$ 1,192,311
	2024	\$ 608,530	\$ —	\$ 546,910	\$ —	\$ 254,731	26,240	\$ 1,436,411
	2023	\$ 589,858	\$ —	\$ 823,038	\$ 278,483	\$ 102,301	24,889	\$ 1,818,569
Samuel R. Hellfeld EVP and Chief Legal and Risk Officer <sup>(13)</sup>	2025	\$ 568,975	\$ 150,000	\$ 451,933	\$ —	\$ —	20,407	\$ 1,191,315
	2024	\$ 542,265	\$ —	\$ 519,552	\$ —	\$ 226,992	19,484	\$ 1,308,293
	2023	\$ 519,231	\$ —	\$ 685,817	\$ 232,112	\$ 89,856	20,243	\$ 1,547,259
Christopher D. Krusmark EVP and Chief Retail and People Officer	2025	\$ 482,477	\$ —	\$ 301,299	\$ —	\$ —	23,239	\$ 807,015
	2024	\$ 443,107	\$ —	\$ 300,799	\$ —	\$ 185,485	19,969	\$ 949,360
	2023	\$ 425,192	\$ 70,000	\$ 590,343	\$ 149,579	\$ 73,742	17,014	\$ 1,325,870

<sup>(1)</sup> Reflects the aggregate grant date fair value of equity awards granted or modified during fiscal years 2025, 2024 and 2023, computed in accordance with FASB ASC Topic 718. See Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2026, for a discussion of the relevant assumptions used in calculating these amounts.

<sup>(2)</sup> The “Stock Awards” column includes Performance Stock Unit (PSU) and Restricted Stock Unit (RSU) awards granted during fiscal years 2025, 2024 and 2023. The amounts included for PSU awards represent the grant date fair value assuming the achievement of the performance goals for a target payout. If the PSU awards granted during fiscal year 2025 had been calculated assuming that the maximum payout had been earned, the grant date fair value of these PSU awards would have been as follows: for Ms. Findley, \$1,944,241 (target of \$972,120); for Mr. Lee, \$619,708 (target of \$309,854); for Ms. Bloomquist, \$563,365 (target of \$281,683); for Mr. Brown, \$380,271 (target of \$190,135); for Ms. Barra, \$563,365 (target of \$281,683); for Mr. Hellfeld, \$464,777 (target of \$232,389) and for Mr. Krusmark, \$309,862 (target of \$154,931). Also included in this column is the grant date fair value of RSU awards granted during fiscal year 2025, as disclosed in the “Grants of Plan-Based Awards” table.

<sup>(3)</sup> No new stock option awards were granted in fiscal year 2025.

<sup>(4)</sup> Represents annual incentive compensation earned under the AIP. See the discussion in the Compensation Discussion and Analysis under the heading “Annual Incentive Plan (AIP)” on page 35.

(5) The all other compensation amounts for fiscal 2025 included the following:

Name	Severance	Consulting	Life Insurance Premiums	Company Matching Contributions to 401(k) Plan	Perquisites <sup>(a)</sup>	Security Costs	Total
Linda Findley	\$ —	\$ —	\$ 1,715	\$ 5,538	\$ 17,956	\$ —	\$ 25,209
Shelly Ibach	\$ —	\$ 1,050,000	\$ 4,220	\$ 14,000	\$ 21,703	\$ 25,574	\$ 1,115,497
Francis Lee	\$ 1,073,125	\$ —	\$ 989	\$ 14,000	\$ 10,720	\$ —	\$ 1,098,834
Robert Ryder	\$ —	\$ 1,264,562	\$ —	\$ —	\$ —	\$ —	\$ 1,264,562
Amy O'Keefe	\$ —	\$ —	\$ —	\$ —	\$ 60	\$ —	\$ 60
Andrea Bloomquist	\$ 1,059,702	\$ —	\$ 1,367	\$ 14,000	\$ 10,300	\$ —	\$ 1,085,369
Kevin Brown	\$ 915,919	\$ —	\$ 873	\$ 14,000	\$ 6,514	\$ —	\$ 937,306
Melissa Barra	\$ —	\$ —	\$ 1,559	\$ 14,000	\$ 14,473	\$ —	\$ 30,032
Samuel Hellfeld	\$ —	\$ —	\$ 935	\$ 14,000	\$ 5,472	\$ —	\$ 20,407
Christopher Krusmark	\$ —	\$ —	\$ 779	\$ 14,000	\$ 7,200	\$ —	\$ 21,979

<sup>(a)</sup> Amounts reported represent Company paid amounts for tax preparation and financial planning expenses, executive physical expenses, technology allowance expenses and incremental travel costs paid by the Company for spouses of our executive officers in connection with certain off-site, business related travel.

<sup>(6)</sup> Ms. Findley assumed the role of President and Chief Executive Officer on April 7, 2025.

<sup>(7)</sup> Ms. Ibach role as President and Chief Executive Officer ended on April 6, 2025, but remained in a non-executive management role through May 31, 2025. Ms. Ibach continued to serve as a non-employee strategic consultant to the Company through December 31, 2025.

<sup>(8)</sup> Mr. Lee assumed the role of Executive Vice President and Chief Financial Officer on August 14, 2023. Mr. Lee departed as Chief Financial Officer effective July 21, 2025, but continued to serve in an advisory role to the Company through August 15, 2025.

<sup>(9)</sup> Mr. Ryder assumed the role of Interim Chief Financial Officer from July 21, 2025 through December 8, 2025, but continued to serve in an advisory role to the Company through December 12, 2025.

<sup>(10)</sup> Ms. O'Keefe assumed the role of Executive Vice President and Chief Financial Officer on December 8, 2025.

<sup>(11)</sup> Ms. Bloomquist departed as Executive Vice President and Chief Innovation Officer on May 31, 2025.

<sup>(12)</sup> Mr. Brown was not an NEO in 2023 or 2024 and departed as Executive Vice President and Chief Marketing Officer on April 16, 2025.

<sup>(13)</sup> Mr. Hellfeld received a discretionary bonus of \$150,000 in fiscal year 2025.

## Grants of Plan-Based Awards

The following table summarizes for each of the NEOs the non-equity incentive award opportunity under the AIP for fiscal year 2025 and the equity awards made during the fiscal year 2025.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(7)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Linda Findley		\$ 375,000	\$ 1,500,000	\$ 3,000,000							
	4/15/25 <sup>(2)</sup>				15,080	181,028	362,056				\$ 972,120
	4/15/25 <sup>(3)</sup>							181,029			\$ 917,817
	4/15/25 <sup>(4)</sup>							362,057			\$2,214,582
Francis Lee		\$ 110,469	\$ 441,875	\$ 883,750							
	3/15/25 <sup>(5)</sup>				3,318	39,827	79,654				\$ 309,854
	3/15/25 <sup>(6)</sup>							39,827			\$ 292,728
Amy O'Keefe	12/15/25 <sup>(8)</sup>	\$ —	\$ —	\$ —				69,742			\$221,802
Andrea Bloomquist		\$ 109,087	\$ 436,348	\$ 872,696							
	3/15/25 <sup>(5)</sup>				3,016	36,206	72,412				\$ 281,683
	3/15/25 <sup>(6)</sup>							36,206			\$ 266,144
Kevin Brown		\$ 94,286	\$ 337,143	\$ 754,286							
	3/15/25 <sup>(5)</sup>				2,036	24,439	48,878				\$ 190,135
	3/15/25 <sup>(6)</sup>							24,439			\$ 179,627
Melissa Barra		\$ 107,534	\$ 430,137	\$ 860,275							
	3/15/25 <sup>(5)</sup>				3,016	36,206	72,412				\$ 281,683
	3/15/25 <sup>(6)</sup>							36,206			\$ 266,114
Samuel Hellfeld		\$ 101,051	\$ 404,205	\$ 808,409							
	3/15/25 <sup>(5)</sup>				2,488	29,870	59,740				\$ 232,389
	3/15/25 <sup>(6)</sup>							29,870			\$ 219,545
Christopher Krusmark		\$ 87,500	\$ 350,000	\$ 700,000							
	3/15/25 <sup>(5)</sup>				1,659	19,914	39,828				\$ 154,931
	3/15/25 <sup>(6)</sup>							19,914			\$ 146,368

<sup>(1)</sup> This represents the cash annual incentive opportunity for 2025 under the AIP. The actual amounts earned under this plan for 2025 are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. If the minimum performance level for payment of the threshold amount is not achieved, then no incentive would be payable under the plan. The performance level for payment of the maximum amount requires maximum EBITDA performance. See discussion in the Compensation Discussion and Analysis under the heading "Annual Incentive Plan (AIP)" on page 35.

<sup>(2)</sup> This represents an inducement PSU award Ms. Findley received upon hire and is described in greater detail in the Compensation Discussion and Analysis under the heading, "Long-Term Incentive Plan (LTI)." The target number of PSUs will be adjusted based on Company performance against annual growth goals over a three-year performance period covering fiscal years 2025, 2026 and 2027. The PSUs are also subject to a relative total shareholder return modifier covering the full three-year performance cycle, which may increase or decrease actual payouts under the PSUs by plus or minus 20%. PSUs are also subject to a three-year vesting requirement from the grant date. If any dividends are paid on our common stock, the holders of the PSUs would receive dividends at the same rate as paid to other shareholders if and when the PSU award is earned and becomes fully vested.

<sup>(3)</sup> This represents an inducement RSU award Ms. Findley received upon hire and is described in greater detail in the Compensation Discussion and Analysis under the heading, "Long-Term Incentive Plan (LTI)." These RSUs vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.

<sup>(4)</sup> This represents an inducement RSU award Ms. Findley received upon hire. These RSUs vest one-third each year on each of first three anniversaries of the date of grant, with a stock performance modifier, subject to continuing employment through the applicable vesting date.

<sup>(5)</sup> This represents PSU awards described in greater detail in the Compensation Discussion and Analysis under the heading, "Long-Term Incentive Plan (LTI)." The target number of PSUs will be adjusted based on Company performance against annual growth goals over a three-year performance period covering fiscal years 2025, 2026 and 2027. The PSUs are also subject to a relative total shareholder return modifier covering the full three-year performance cycle, which may increase or decrease actual payouts under the PSUs by plus or minus 20%. PSUs are also subject to a three-year vesting requirement from the grant date. If any dividends are paid on our common stock, the holders of the PSUs would receive dividends at the same rate as paid to other shareholders if and when the PSU award is earned and becomes fully vested.

<sup>(6)</sup> This represents RSU awards described in greater detail in the Compensation Discussion and Analysis under the heading, "Long-Term Incentive Plan (LTI)." These RSUs vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.

(7) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718. The value for the March 15, 2025 PSU awards reflects the target award value.

(8) This represents an inducement RSU award for Ms. O'Keefe for appoint to role of Executive Vice President and Chief Financial Officer on December 8, 2025. These RSUs vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.

### Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the total outstanding equity awards for each of the NEOs as of January 3, 2026.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(9)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(9)</sup>
Linda Findley	—	—	—	—	362,057 <sup>(1)</sup>	\$ 3,110,070	—	—
	—	—	—	—	181,029 <sup>(2)</sup>	\$ 1,555,039	—	—
	—	—	—	—	—	—	181,028 <sup>(3)</sup>	\$ 1,555,039
Shelly Ibach	36,575	—	\$ 18.81	3/22/2026	—	—	—	—
	53,720	—	\$ 23.61	3/21/2027	—	—	—	—
	51,095	—	\$ 34.35	3/21/2028	—	—	—	—
	40,405	—	\$ 47.00	5/28/2028	—	—	—	—
	10,045	—	\$ 43.91	5/28/2028	—	—	—	—
	67,325	—	\$ 35.68	5/28/2028	—	—	—	—
	21,880	—	\$ 146.97	5/28/2028	—	—	—	—
	40,550	—	\$ 61.66	5/28/2028	—	—	—	—
	4,340	—	\$ 41.95	5/28/2028	—	—	—	—
	68,490	—	\$ 28.41	5/28/2028	—	—	—	—
	—	—	—	—	—	—	90,946 <sup>(4)</sup>	\$ 781,226
Amy O'Keefe	—	—	—	—	69,742 <sup>(8)</sup>	\$ 599,084	—	—
Andrea Bloomquist	4,346	—	\$ 47.00	5/31/2026	—	—	—	—
	10,260	—	\$ 35.68	5/31/2026	—	—	—	—
	3,585	—	\$ 146.97	5/31/2026	—	—	—	—
	8,110	—	\$ 61.66	5/31/2026	—	—	—	—
	12,065	—	\$ 28.41	5/31/2026	—	—	—	—
	—	—	—	—	—	—	8,158 <sup>(4)</sup>	\$ 70,077
	—	—	—	—	—	—	2,541 <sup>(3)</sup>	\$ 21,827
Kevin Brown	7,665	—	\$ 34.35	4/16/2026	—	—	—	—
	5,870	—	\$ 47.00	4/16/2026	—	—	—	—
	8,980	—	\$ 35.68	4/16/2026	—	—	—	—
	2,645	—	\$ 146.97	4/16/2026	—	—	—	—
	6,180	—	\$ 61.66	4/16/2026	—	—	—	—
	7,595	—	\$ 28.41	4/16/2026	—	—	—	—
	—	—	—	—	—	—	4,946 <sup>(4)</sup>	\$ 42,486
	—	—	—	—	—	—	713 <sup>(3)</sup>	\$ 6,125

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(9)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(9)</sup>
Melissa Barra	2,128	—	\$ 34.35	3/21/2028	—	—	—	—
	4,563	—	\$ 47.00	3/29/2029	—	—	—	—
	9,940	—	\$ 35.68	3/15/2030	—	—	—	—
	3,490	—	\$ 146.97	3/15/2031	—	—	—	—
	8,110	—	\$ 61.66	3/15/2032	—	—	—	—
	10,910	5,455 <sup>(5)</sup>	\$ 28.41	3/15/2033	—	—	—	—
	—	—	—	—	13,474 <sup>(6)</sup>	\$ 115,742	—	—
	—	—	—	—	—	—	20,211 <sup>(4)</sup>	\$ 173,612
	—	—	—	—	36,206 <sup>(7)</sup>	\$ 311,010	—	—
—	—	—	—	—	—	36,206 <sup>(3)</sup>	\$ 311,010	
Samuel Hellfeld	2,615	—	\$ 18.81	3/22/2026	—	—	—	—
	1,955	—	\$ 23.61	3/21/2027	—	—	—	—
	1,535	—	\$ 34.35	3/21/2028	—	—	—	—
	3,420	—	\$ 36.81	9/20/2028	—	—	—	—
	4,565	—	\$ 47.00	3/29/2029	—	—	—	—
	5,130	—	\$ 35.68	3/15/2030	—	—	—	—
	2,265	—	\$ 146.97	3/15/2031	—	—	—	—
	6,180	—	\$ 61.66	3/15/2032	—	—	—	—
	9,093	4,547 <sup>(5)</sup>	\$ 28.41	3/15/2033	—	—	—	—
	—	—	—	—	14,484 <sup>(6)</sup>	\$ 124,418	—	—
	—	—	—	—	—	—	16,674 <sup>(4)</sup>	\$ 143,230
—	—	—	—	29,870 <sup>(7)</sup>	\$ 256,583	—	—	
—	—	—	—	—	—	28,870 <sup>(3)</sup>	\$ 247,993	
Christopher Krusmark	1,630	—	47.00	3/29/2029	—	—	—	—
	3,850	—	35.68	3/15/2030	—	—	—	—
	2,075	—	146.97	3/15/2031	—	—	—	—
	5,025	—	61.66	3/15/2032	—	—	—	—
	5,860	2,930 <sup>(5)</sup>	28.41	3/15/2033	—	—	—	—
	—	—	—	—	7,410 <sup>(6)</sup>	\$ 63,652	—	—
	—	—	—	—	—	—	11,116 <sup>(4)</sup>	\$ 95,486
—	—	—	—	19,914 <sup>(7)</sup>	\$ 171,061	—	—	
—	—	—	—	—	—	19,914 <sup>(3)</sup>	\$ 171,061	

- (1) These RSU awards were granted on April 15, 2025 with a stock performance modifier and vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.
- (2) These RSU awards were granted on April 15, 2025 and vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.
- (3) These PSU awards were granted on March 15, 2025 and will become vested on March 15, 2028, subject to achieving performance criteria, total shareholder return modifier and continuing employment through the vesting date. The number of shares shown above reflects the target award level. The performance period for this award covers fiscal years 2025, 2026 and 2027.
- (4) These PSU awards were granted on March 15, 2024 and will become vested on March 15, 2027, subject to achieving performance criteria and continuing employment through the vesting date. The number of shares shown above reflects the target award level. The performance period for this award covers fiscal years 2024, 2025 and 2026.
- (5) These stock options were granted on March 15, 2023 and vest one-third each year on each of the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.
- (6) These RSU awards were granted on March 15, 2024 and vest one-third each year on the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.
- (7) These RSU awards were granted on March 15, 2025 and vest one-third each year on the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.

<sup>(8)</sup> These RSU awards were granted on December 15, 2025 and vest one-third each year on the first three anniversaries of the date of grant, subject to continuing employment through the applicable vesting date.

<sup>(9)</sup> Calculated by multiplying unvested stock awards by \$8.59, the closing price of the Company's common stock on the Nasdaq Stock Market on January 2, 2026, the last trading day of fiscal year 2025.

## Option Exercises and Stock Vested

The following table summarizes the stock options that were exercised and the stock awards that became vested for each of the NEOs during the fiscal year ended January 3, 2026.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(9)</sup>
Linda Findley	—	—	—	\$ —
Shelly Ibach	—	—	178,955 <sup>(2)</sup>	\$ 1,518,547
Francis Lee	—	—	16,315 <sup>(3)</sup>	\$ 147,321
Rob Ryder	—	—	—	—
Amy O'Keefe	—	—	—	—
Andrea Bloomquist	—	—	10,702 <sup>(4)</sup>	\$ 92,180
Kevin Brown	—	—	5,660 <sup>(5)</sup>	\$ 39,066
Melissa Barra	—	—	6,737 <sup>(6)</sup>	\$ 49,517
Samuel Hellfeld	—	—	9,562 <sup>(7)</sup>	\$ 70,281
Christopher Krusmark	—	—	8,934 <sup>(8)</sup>	\$ 72,586

<sup>(1)</sup> The value realized on the exercise of stock options for purposes of this table is based on the difference between the fair market value of our common stock on the date of exercise and the exercise price of the stock option.

<sup>(2)</sup> The amount shown represents the vesting of RSU awards granted on March 15, 2024, which vested 30,316 shares on March 15, 2025 and 60,630 shares on May 31, 2025. In addition, 88,009 shares related to a PSU award granted on March 21, 2018 vested on March 21, 2025. This PSU was previously deferred for four years after the original vest date.

<sup>(3)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2024, which vested 8,085 shares on March 15, 2025; and RSU awards granted August 15, 2023, which vested 8,230 shares on August 15, 2025.

<sup>(4)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2024, which vested 6,737 shares on March 15, 2025 and 1,421 shares on May 31, 2025; and RSU awards granted March 15, 2025, which vested 2,544 shares on May 31, 2025.

<sup>(5)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2024, which vested 4,548 shares on March 15, 2025 and 398 shares on April 16, 2025; and RSU awards granted March 15, 2025, which vested 714 shares on April 16, 2025.

<sup>(6)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2024, which vested 6,737 shares on March 15, 2025.

<sup>(7)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2022, which vested 2,320 shares on March 15, 2025; and RSU awards granted March 15, 2024, which vested 7,242 shares on March 15, 2025.

<sup>(8)</sup> The amount shown represents the vesting of RSU awards granted March 15, 2022, which vested 2,320 shares on March 15, 2025; RSU granted March 15, 2024, which vested 3,706 shares on March 15, 2025; and RSU awards granted September 5, 2023, which vested 2,908 shares on September 5, 2025.

<sup>(9)</sup> The value realized for purposes of this table is based on the fair market value of our common stock on the date of vesting.

## Non-Qualified Deferred Compensation

NEOs are eligible to participate in the Sleep Number Executive Deferral Plan (Deferral Plan), a non-qualified deferred compensation plan. The Deferral Plan allows executives to defer payment of up to 50% of their base salary, 75% of their AIP payout and 100% of their payout from PSUs or other stock awards. At the time that executives make their deferral election, they choose whether their deferrals will be paid out in a lump sum or up to ten annual installments following a specified future date or their termination of employment. For salary or AIP deferrals, executives choose how to allocate their deferrals across a range of notional investment alternatives that are similar to the investment fund options in the Company's 401(k) Plan. The executive's deferral account is credited with the earnings as if there was a deemed investment in the notional investment alternatives offered for the Deferral Plan. For deferrals of PSUs or other stock awards, the amounts deferred are tracked in deferred share units and distributions are settled in shares of common stock.

The following table summarizes for each NEO their contributions, earnings and balance for the Deferral Plan for the fiscal year ended January 3, 2026. Note that the Company does not make any contributions to the Deferral Plan on behalf of participants.

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings (Losses) in Last Fiscal Year <sup>(1)</sup> (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year-End <sup>(2)</sup> (\$)
Linda Findley	\$ —	\$ —	\$ —	\$ —	\$ —
Shelly Ibach	\$ —	\$ —	\$ 502,142	\$ (1,734,800)	\$ 10,021,204
Amy O'Keefe	\$ —	\$ —	\$ —	\$ —	\$ —
Francis Lee	\$ —	\$ —	\$ —	\$ —	\$ —
Andrea Bloomquist	\$ —	\$ —	\$ (185)	\$ (344,986)	\$ —
Kevin Brown	\$ —	\$ —	\$ —	\$ —	\$ —
Melissa Barra	\$ —	\$ —	\$ —	\$ —	\$ —
Samuel Hellfeld	\$ —	\$ —	\$ —	\$ —	\$ —
Christopher Krusmark	\$ —	\$ —	\$ —	\$ —	\$ —

<sup>(1)</sup> These amounts represent the total aggregate notional earnings for fiscal year 2025 for the executive's deferral account under the Deferral Plan. These are notional earnings based on how the executive has elected to direct their salary or AIP deferrals to various investment alternatives, and the actual market return of that investment alternative for the year. For PSU deferrals, earnings represent the change in market value of the deferred share units held in the executive's deferral account.

<sup>(2)</sup> This is the aggregate market value of the executive's deferral account under the Deferral Plan as of the end of fiscal year 2025.

### Potential Payments Upon Termination or Change in Control

This section describes the potential payments that would be made to the NEOs under various employment termination scenarios as if they occurred at the end of fiscal year 2025 (as of January 3, 2026). The values shown in the table are calculated as of this date based on certain estimates or assumptions as described in the footnotes. The actual amounts received may differ materially from those shown in the table. The table does not include amounts already vested that the executive would receive if he or she left the Company for any reason, such as the fully vested balance of an executive's deferral account, gains from outstanding options that are exercisable, or payments and benefits that are provided on a non-discriminatory basis to salaried team members generally upon termination.

All Sleep Number team members, including all executive officers, are "at will" team members, meaning that the team member or the Company may terminate the employment relationship with or without cause and with or without notice, at any time at the option of either the team member or the Company. Executive officers do not have employment agreements and do not have any contractual or other right to employment for any term or period of time. In addition, executive officers are only eligible for the severance pay and other benefits as provided under the Company's Executive Severance Pay Plan as shown in the table and described in the footnotes.

The table below shows information about the acceleration of option or stock awards in the event of a change in control as defined under the Company's 2020 Equity Incentive Plan, as amended (the 2020 Plan). The 2020 Plan contains a "double-trigger" change in control provision. Under this provision, if outstanding option or stock awards are assumed or substituted following a change in control, vesting of the option or stock awards is only accelerated in the event of involuntary termination not for cause or resignation for good reason of the team member, as those terms are defined under the 2020 Plan. This is provided that the team member's termination of employment occurs within two years of the change in control.

Vesting of stock option, PSU and RSU awards may also be accelerated in the event a NEO qualifies for retirement treatment under the terms of the award agreements and the 2020 Plan. If an executive is at least age 55 and has five or more years of service at retirement, the vesting will be accelerated on a pro-rata portion of their option or stock award based on the portion of the vesting period that was actually worked through the date of retirement. If an executive is at least age 60 and has five or more years of service at retirement, there is a full acceleration of vesting of stock option or PSU awards provided that the executive gives a one-year notice of their intention to retire for awards granted prior to 2024, and a three month notice of their intention to retire for awards granted in 2024; there is not full acceleration of vesting for RSU awards.

Pursuant to applicable SEC regulations, since Ms. Ibach, Mr. Lee, Ms. Bloomquist and Mr. Brown separated from the Company prior to December 31, 2025, the table below shows potential payments to them only under the actual triggering event that occurred in connection with their departures and does not include the other potential triggering events that were no longer a possibility as of December 31, 2025.

Name	Type of Payment	Triggering Events				
		Voluntary Termination (\$)	For Cause Termination (\$)	Involuntary Termination (No Change in Control) (\$)	Involuntary Termination (Following Change in Control) <sup>(1)</sup> (\$)	Death or Disability (\$)
Linda Findley	Cash Severance <sup>(2)</sup>	—	—	\$ 5,418,000	\$ 8,118,000	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(4)</sup>	—	—	—	\$ 6,220,139	\$ 6,220,139
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 29,297	\$ 29,297	—
	Total	\$ —	—	\$ 5,447,297	\$ 14,367,436	\$ 6,220,139
Shelly Ibach <sup>(6)</sup>	Cash Severance <sup>(2)</sup>	—	—	—	—	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(6)</sup>	\$ 1,305,091	—	—	—	—
	Benefit Reimbursement <sup>(5)</sup>	—	—	—	—	—
	Total	\$ 1,305,091	—	—	—	—
Francis Lee <sup>(6)</sup>	Cash Severance <sup>(2)</sup>	—	—	\$ 1,073,125	—	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(6)</sup>	—	—	—	—	—
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 19,093	—	—
	Total	—	—	\$ 1,092,218	—	—
Amy O'Keefe	Cash Severance <sup>(2)</sup>	—	—	\$ 1,075,000	\$ 2,137,500	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(4)</sup>	—	—	—	\$ 599,084	\$ 599,084
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 7,507	\$ 7,507	—
	Total	—	—	\$ 1,082,507	\$ 2,744,091	\$ 599,084
Andrea Bloomquist <sup>(6)</sup>	Cash Severance <sup>(2)</sup>	—	—	\$ 1,059,702	—	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(6)</sup>	—	—	\$ 128,554	—	—
	Benefit Reimbursement <sup>(5)</sup>	—	—	—	—	—
	Total	—	—	\$ 1,188,256	—	—
Kevin Brown <sup>(6)</sup>	Cash Severance <sup>(2)</sup>	—	—	\$ 915,919	—	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(6)</sup>	—	—	\$ 25,979	—	—
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 19,093	—	—
	Total	—	—	\$ 960,991	—	—
Melissa Barra	Cash Severance <sup>(2)</sup>	—	—	\$ 1,057,119	\$ 2,101,739	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(4)</sup>	—	—	—	\$ 853,563	\$ 853,563
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 14,749	\$ 14,749	—
	Total	—	—	\$ 1,071,868	\$ 2,970,051	\$ 853,563
Samuel Hellfeld	Cash Severance <sup>(2)</sup>	—	—	\$ 994,140	\$ 1,975,779	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(4)</sup>	—	—	—	\$ 733,122	\$ 733,122
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 20,842	\$ 20,842	—
	Total	—	—	\$ 1,014,982	\$ 2,729,743	\$ 733,122
Christopher Krusmark	Cash Severance <sup>(2)</sup>	—	—	\$ 862,500	\$ 1,712,500	—
	Option Award Acceleration <sup>(3)</sup>	—	—	—	—	—
	Stock Award Acceleration <sup>(4)</sup>	—	—	—	\$ 469,469	\$ 469,469
	Benefit Reimbursement <sup>(5)</sup>	—	—	\$ 7,507	\$ 7,507	—
	Total	—	—	\$ 870,007	\$ 2,189,476	\$ 469,469

- (1) The amounts payable to the NEOs upon a change in control may be subject to reduction under Sections 280G and 4999 of the Internal Revenue Code.
- (2) Our NEOs are participants in the Company's Executive Severance Pay Plan. Under this plan, a participant is eligible for severance pay and other benefits in the event of involuntary termination not for cause or resignation for good reason (qualifying termination), as those terms are defined under the plan. There is no severance pay benefit for voluntary termination or involuntary termination for cause. As a condition of receiving any severance pay under the plan, the executive must agree to a general release of claims against the Company. The amount of the severance pay payable for a qualifying termination is a multiple of the sum of the executive's annual base salary plus the target annual incentive award under AIP, as of the date of termination. If the qualifying termination occurs within a period starting six months before a change in control event and ending two years after a change in control event, the multiple would be as follows: In order to receive the additional severance pay for qualifying terminations after a change in control, the executive must agree to refrain from certain restricted activities for an extended period of two years after termination of employment. The plan defines restricted activities to include certain competitive and solicitation activities. Severance pay benefits are paid in a lump sum following termination of employment. The cash severance amounts shown above were calculated using annual base salary and target annual incentive for AIP in effect for each executive as of the end of fiscal 2025. Also under the plan, participants are eligible for outplacement services. The maximum value of this benefit is included in the cash severance amounts shown above. The plan does provide for a pro-rata annual incentive award for the period of the year that the participant was actively employed. The calculations for this table are as of the end of the fiscal year, which is when participants in the AIP become eligible for the full incentive award earned for that fiscal year. As a result, the table does not include any value for a pro-rata annual incentive.
- (3) The value of the acceleration of the vesting of unvested stock options held by a NEO is based on the difference between: (a) the fair market value of our common stock as of January 2, 2026 (\$8.59), or date of termination, and (b) the per share exercise price of the options held by the executive, provided (a) is higher than (b). The range of exercise prices of unvested stock options held by our NEO as of January 3, 2026 was \$18.81 to \$146.97. No amounts are included in the table above for stock options because the respective exercise prices are all above \$8.59 or fair market value of our common stock as of the date of termination. For voluntary termination when an executive is eligible for retirement treatment (age 55 and five or more years of service), the number of unvested stock options is prorated in valuing the acceleration of vesting.
- (4) The value of the acceleration of the vesting of stock awards held by a NEO is based on: (a) the number of unvested PSUs or RSUs held by the executive as of January 3, 2026, multiplied by (b) the fair market value of our common stock on January 2, 2026 (\$8.59). PSUs whose performance period had been completed as of January 3, 2026 are reflected based on the actual payout earned. All other PSUs are reflected at the lesser of target or the maximum payout achievement possible. For voluntary termination when an executive is eligible for retirement treatment (age 55 and five or more years of service), the number of unvested RSUs is prorated in valuing the acceleration of vesting.
- (5) For a qualifying termination under the Executive Severance Pay Plan, a NEO is eligible to receive a reimbursement equal to the difference in cost between the monthly COBRA premium and the monthly cost for the medical and dental plan coverage while an active team member. The reimbursement is for as long as the executive is covered by COBRA but for a period not to exceed two years for Ms. Findley and one year for all other NEOs.
- (6) The chart above illustrates the actual incremental benefits received by the NEO in connection with the termination of their employment. Ms. Ibach and Ms. Bloomquist separated from the Company effective May 31, 2025; Mr. Lee separated from the Company effective August 15, 2025; and Mr. Brown separated from the Company effective April 16, 2025. The value of the acceleration of stock awards is based on (a) the number of accelerated RSUs multiplied by the market fair value of our common stock as of the termination date plus (b) the number of accelerated PSUs multiplied by the market fair value of our common stock as of the termination date. PSUs whose performance period had been completed as of January 3, 2026 are reflected based on the actual payout earned. All other PSUs are reflected at the lesser of target or the maximum payout achievement.

## OTHER INFORMATION

### CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are providing the following information about the relationship of the annual total compensation of our team members and the annual total compensation of our CEO. For fiscal year 2025, we determined on January 3, 2026 that the annual total compensation of the team member identified as the median was \$57,989 compared to last year's median of \$59,362. Based on this information, the 2025 ratio of the annual total compensation of our CEO, as reported in the Total column of the Summary Compensation Table as \$6,233,574, to the median annual total compensation of all team members, excluding our CEO, was estimated to be 107 to 1.

The following is a summary of the methodology and assumptions used in determining the median annual total compensation of our team members for 2025:

- We used our total active team member population as of the end of fiscal year 2025;
- For purposes of measuring total CEO compensation, the annualized compensation of our current CEO, Linda Findley, was used;
- For measuring total compensation of our team members, we included base wages, incentive compensation, commissions, over-time, paid time off and holiday pay that was actually paid to each team member during fiscal year 2025; and
- For team members included in the population that were hired during fiscal year 2025, we annualized their actual total compensation to consider that they worked for only a portion of the year.

It should be noted that under the SEC's rules and guidance, there are numerous ways to determine the compensation of a company's median employee, including the employee population sampled, the elements of total compensation included, any assumptions made and the use of statistical sampling. In addition, no two companies have identical employee populations or compensation programs. As such, our pay ratio may not be comparable to the pay ratio reported by other companies.

## Pay Versus Performance

As required by Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following information comparing for the last three fiscal years calculated compensation values for disclosure purposes, financial performance of the Company and total shareholder returns. The table shows a calculated value for the Compensation Actually Paid (CAP) as required by SEC rules for the CEO and other NEOs. These amounts do not reflect the actual compensation earned by or paid to the CEO or other NEOs for these fiscal years. For information regarding the compensation decisions made by our Committee, please see the sections of the Compensation Discussion and Analysis of the proxy statements for the fiscal years covered in the table below.

Year	Summary Compensation Table Total for Ms. Findley <sup>(1)(3)</sup>	Compensation Actually Paid to Ms. Findley <sup>(4)</sup>	Summary Compensation Table Total for Ms. Ibach <sup>(2)(3)</sup>	Compensation Actually Paid to Ms. Ibach <sup>(4)</sup>	Average Summary Compensation Table Total for Other NEOs <sup>(3)(5)</sup>	Average Compensation Actually Paid to Other NEOs <sup>(4)(5)</sup>	Value of Initial Fixed \$100 Investment Based On: <sup>(6)</sup>		Net (Loss) Income (\$ millions) <sup>(7)</sup>	Net Sales Growth <sup>(8)</sup>
							Sleep Number Total Shareholder Return	S&P 400 Specialty Stores Index Total Shareholder Return		
2025	\$ 6,233,574	\$ 9,350,716	\$ 1,646,266	\$ (222,340)	\$ 1,318,986	\$ 731,658	\$ 10	\$ 159	\$ (132.0)	(16.1)%
2024	\$ —	\$ —	\$ 6,583,409	\$ 4,658,822	\$ 1,439,510	\$ 1,220,875	\$ 31	\$ 195	\$ (20.3)	(10.9)%
2023	\$ —	\$ —	\$ 6,349,191	\$ 2,797,599	\$ 1,824,602	\$ 1,097,590	\$ 30	\$ 199	\$ (15.3)	(10.7)%
2022	\$ —	\$ —	\$ 6,702,614	\$ (12,847,068)	\$ 1,592,120	\$ (1,323,910)	\$ 52	\$ 162	\$ 36.6	(3.2)%
2021	\$ —	\$ —	\$ 9,599,571	\$ 15,233,052	\$ 2,028,184	\$ 2,806,197	\$ 154	\$ 173	\$ 153.7	17.7%

<sup>(1)</sup> Ms. Findley has served as the Company's President and CEO since April 7, 2025.

<sup>(2)</sup> Ms. Ibach role as President and Chief Executive Officer ended on April 6, 2025, but remained in a non-executive management role through May 31, 2025. Ms. Ibach continued to serve as a non-employee strategic consultant to the Company through December 31, 2025.

<sup>(3)</sup> The amounts are reported in the Total column of the Summary Compensation Table for the CEO and for an average of the other NEOs for each fiscal year.

<sup>(4)</sup> This is a calculation of CAP for each fiscal year as determined in accordance with SEC rules. See table below for a reconciliation of the estimated value for CAP to the amounts reported in the Total column of the Summary Compensation Table on page 49.

<sup>(5)</sup> The average for 2025 includes Mr. Lee, Mr. Ryder, Ms. O'Keefe, Ms. Bloomquist, Mr. Brown, Ms. Barra, Mr. Hellfeld and Mr. Krusmark. The average for 2024 includes Mr. Lee, Ms. Bloomquist, Ms. Barra and Mr. Hellfeld as the other NEOs. The average for 2023 includes Mr. David Callen, Mr. Krusmark, Mr. Lee, Ms. Bloomquist, Ms. Barra and Mr. Hellfeld as other NEOs. The average for 2022 includes Mr. Callen, Ms. Bloomquist, Ms. Barra and Mr. Hellfeld as other NEOs. The average for 2021 includes Mr. Callen, Ms. Bloomquist, Ms. Barra and Mr. Saklad as other NEOs.

<sup>(6)</sup> For the relevant fiscal year, this represents the cumulative Total Shareholder Return (TSR) by measuring what the value of a \$100 investment at the start of fiscal 2021 would be at the end of fiscal years 2021, 2022, 2023, 2024 and 2025. The S&P 400 Specialty Store Index TSR is the total return assuming reinvestment of dividends and is included in the Comparative Stock Performance chart reported in our Annual Report on Form 10-K for the fiscal years 2021, 2022, 2023, 2024 and 2025.

<sup>(7)</sup> This is net income as reported in the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal years 2021, 2022, 2023, 2024 and 2025.

<sup>(8)</sup> This is the annual growth in net sales as reported in the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal years 2021, 2022, 2023, 2024 and 2025. This is the Company-selected measure for this disclosure.

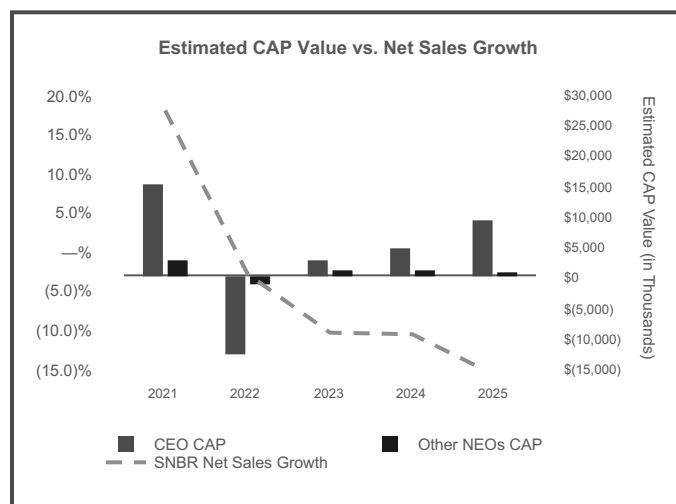
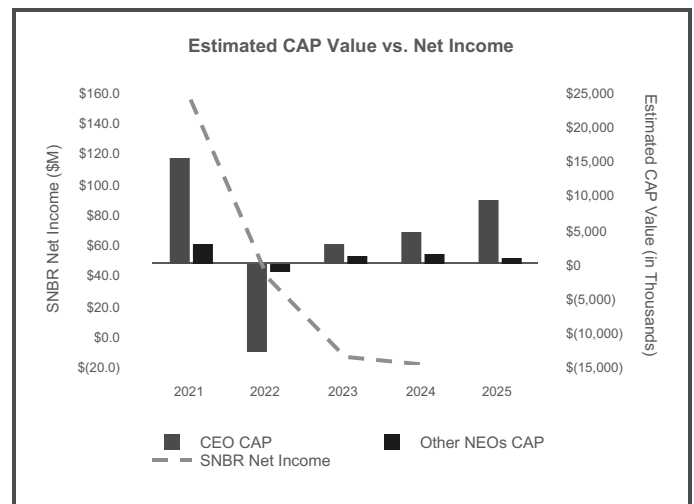
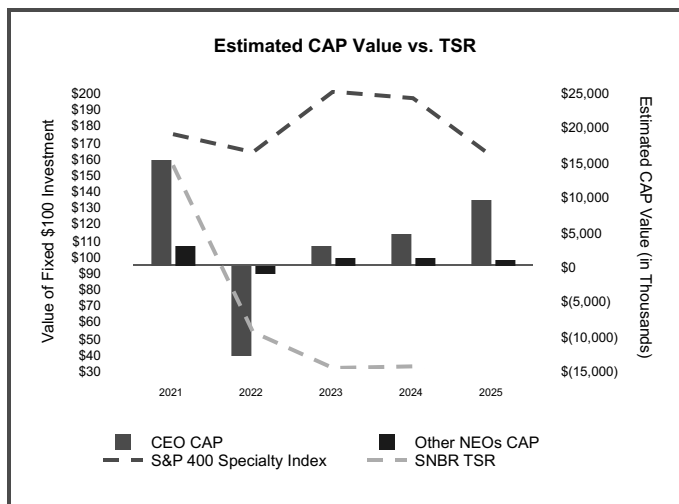
The following table is a reconciliation of the estimated value for CAP to the amounts reported in the Total column of the Summary Compensation Table for the fiscal years 2021, 2022, 2023, 2024 and 2025.

Year	Summary Compensation Table Total	Deduct: Amounts Reported in the Summary Compensation Table for Stock and Option Awards	Add: Value of Awards Granted During the Year, Outstanding and Unvested at Year-end	Add: Change in Value of Awards Granted in Any Prior Year, Outstanding and Unvested at Year-End	Add: Value of Awards Granted and Vested in the Same Year	Add: Change in Value of Awards Granted in Any Prior Year, Vested During the Year	Add: Change in Value of Awards that Failed to Meet Applicable Vesting Conditions During the Year	Estimated Compensation Actually Paid (CAP) <sup>(1)</sup>
<b>CEO - Ms. Findley</b>								
2025	\$ 6,233,574	\$ (4,104,519)	\$ 7,221,661	\$ —	\$ —	\$ —	\$ —	\$ 9,350,716
<b>CEO - Ms. Ibach</b>								
2025	\$ 1,646,266	\$ —	\$ (1,085,678)	\$ —	\$ —	\$ (782,928)	\$ —	\$ (222,340)
2024	\$ 6,583,409	\$ (4,340,130)	\$ 3,287,427	\$ (794,372)	\$ —	\$ (77,512)	\$ —	\$ 4,658,822
2023	\$ 6,349,191	\$ (4,609,638)	\$ 1,965,546	\$ (1,212,687)	\$ —	\$ 305,187	\$ —	\$ 2,797,599
2022	\$ 6,702,614	\$ (5,419,385)	\$ 1,280,493	\$ (12,212,135)	\$ —	\$ (3,198,655)	\$ —	\$ (12,847,068)
2021	\$ 9,599,571	\$ (6,440,343)	\$ 4,245,801	\$ (1,037,718)	\$ —	\$ 8,865,741	\$ —	\$ 15,233,052
<b>Average for Other NEOs</b>								
2025	\$ 1,318,986	\$ (423,958)	\$ 277,170	\$ (110,559)	\$ 3,855	\$ (92,129)	\$ (241,707)	\$ 731,658
2024	\$ 1,439,510	\$ (567,415)	\$ 534,511	\$ (165,733)	\$ —	\$ (19,998)	\$ —	\$ 1,220,875
2023	\$ 1,824,602	\$ (1,081,157)	\$ 483,831	\$ (165,585)	\$ —	\$ 35,899	\$ —	\$ 1,097,590
2022	\$ 1,592,120	\$ (1,019,287)	\$ 238,188	\$ (1,773,616)	\$ —	\$ (361,315)	\$ —	\$ (1,323,910)
2021	\$ 2,028,184	\$ (1,058,309)	\$ 714,143	\$ (134,889)	\$ —	\$ 1,257,068	\$ —	\$ 2,806,197

<sup>(1)</sup> In determining the estimated CAP, stock option grant date fair values are calculated based on the Black-Scholes option pricing model as of date of grant. Adjustments have been made using stock option fair values as of each measurement date using the stock price as of the measurement date and updated assumptions (i.e., term, volatility, risk free rates) as of the measurement date. Performance Stock Unit (PSU) grant date fair values are calculated using the stock price as of date of grant assuming target performance or a Monte Carlo valuation for those awards with a shareholder return modifier. Adjustments have been made using the stock price and performance accrual modifier as of year-end and as of each vesting date. Time-vested Restricted Stock Unit (RSU) grant date fair values are calculated using the stock price as of date of grant or a Monte Carlo valuation for those awards with a shareholder return modifier. Adjustments have been made using the stock price as of year-end and as of each vesting date.

As noted above, the estimate of CAP reflects adjusted values to unvested and vested equity awards during the years shown in the table based on year-end stock prices, various accounting valuation assumptions, and projected performance modifiers but does not reflect actual amounts paid out for those awards. CAP generally fluctuates due to stock price achievement and varying levels of projected and actual achievement of performance goals (as reflected in the significant decrease to 2022 CAP). For a discussion of how our Committee assessed Company performance and made pay decisions each year for our NEOs, see the Compensation Discussion and Analysis in this Proxy Statement and in the proxy statements for 2021, 2022, 2023, and 2024.

Below are graphs comparing the estimated CAP values for our CEO and other NEOs to: (1) TSR for Sleep Number and the S&P 400 Specialty Stores Index, (2) net income and (3) annual net sales growth.



As described in various sections of our Compensation Discussion and Analysis, the following are key performance measures that determine the incentive compensation earned by the CEO and other NEOs for Company performance. By design, our executive compensation mix is heavily weighted toward incentive compensation which is all performance-based and only earned with achievement of financial goals for AIP and PSUs or appreciation of our share price for stock options.

Metric	How This Metric Influences Pay
Net Sales Growth	This is one of two key measures in our PSU design. Half of the PSU payout opportunity is tied to our achievement of annual growth goals for net sales over a three year period.
NOP Growth	This is one of two key measures in our PSU design. Half of the PSU payout opportunity is tied to our achievement of annual growth goals for NOP over a three year period.
Adjusted ROIC	There is an ROIC modifier in our PSU design for 2023 and 2024. This potential reduction in the number of target PSUs applies if the average difference between Adjusted ROIC and WACC is below a certain threshold.
Adjusted EBITDA	This is the only measure in our AIP design. The AIP payout opportunity is tied to our achievement of fiscal year goals for Adjusted EBITDA.
Relative Total Shareholder Return	There is a relative total shareholder return in our PSU design for 2025. This potential reduction in the number of target PSUs applies if the actual relative total shareholder return falls below a certain threshold.
Share Price	Stock options require share price appreciation above the exercise price in order to have any value. The value of PSUs earned and paid out also depends on share price.

## PROPOSAL 6 – ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

### Background

Consistent with the views expressed by shareholders at our 2023 Annual Meeting when we last asked our shareholders to cast an advisory vote as to whether future advisory votes on executive compensation, or “say-on-pay” votes, should occur every year, every two years or every three years, the Board has determined to hold an advisory vote to approve executive compensation annually. The next advisory vote on the frequency of our “say-on-pay” vote will be put to our shareholders at our 2029 Annual Meeting.

This advisory resolution, commonly referred to as “say-on-pay,” is being provided to our shareholders as required pursuant to Section 14A of the Securities Exchange Act and is non-binding on the Company and the Board. However, the Board and the Compensation Committee value the opinions of our shareholders and will carefully consider the outcome of the vote when making future compensation decisions. The next “say-on-pay” vote will be held at our 2027 Annual Meeting.

As described more fully in the Compensation Discussion and Analysis (CD&A) section of this Proxy Statement, our compensation programs are structured to align the interests of our executive officers with the interests of our shareholders. They are designed to attract, motivate and retain, a talented management team to achieve superior results. Shareholders are urged to read the CD&A, which discusses in-depth how our executive compensation programs are aligned with our performance and the creation of shareholder value.

### Board Recommendation

The Board unanimously recommends a vote “**For**” approval of, on a non-binding basis, the compensation of the Company’s named executive officers as described in the CD&A, tabular disclosures and other executive compensation narrative provided in this Proxy Statement for the Company’s 2026 Annual Meeting.

### Vote Required

The affirmative vote of the holders of a majority of the shares of common stock present and entitled to vote directly or by proxy on this matter at the Annual Meeting, and at least a majority of the minimum number of shares necessary for a quorum, is necessary for approval of the foregoing resolution. Unless a contrary choice is specified, proxies solicited by the Board will be voted “**For**” approval of, on a non-binding basis, the compensation of the Company’s named executive officers as described in this Proxy Statement.

# PROPOSAL 7 – VOTE ON AMENDMENT TO THE SLEEP NUMBER CORPORATION 2020 EQUITY INCENTIVE PLAN, AS AMENDED

## Introduction

On May 13, 2020, our shareholders approved the Sleep Number Corporation 2020 Equity Incentive Plan (as thereafter amended, the “2020 Plan”) at our 2020 Annual Meeting. The 2020 Plan permits the Compensation Committee, or a subcommittee thereof, to grant to eligible team members, non-employee Directors and consultants of Sleep Number (each a participant) non-statutory and incentive stock options, stock appreciation rights (also known as SARs), restricted stock awards, restricted stock units, deferred stock units, annual performance cash awards and other cash-based awards and other stock-based awards. On May 21, 2024, our shareholders approved Amendment No. 1 to the 2020 Plan to increase the number of authorized shares by 1,500,000. On May 28, 2025, our shareholders approved Amendment No. 2 to the 2020 Plan to increase the number of authorized shares by an additional 500,000. Subject to both adjustments, the maximum number of shares of our common stock authorized for issuance under the 2020 Plan is 5,240,000 shares.

The purpose of the 2020 Plan is to advance the interests of the Company and its shareholders by enabling the Company and its subsidiaries to (i) attract, motivate and retain a talented management team to achieve superior results, (ii) provide market competitive equity incentive opportunities that are linked to the growth and profitability of the Company and increases in shareholder value, and (iii) align the interests of key executives, team members and Directors with those of our shareholders.

Our equity compensation program provides our team members with an incentive to deliver our long-term strategic objectives and achieve superior results. We believe equity is a critical tool for attracting, retaining and rewarding our team, and aligning their interests with those of our shareholders over the long-term. We believe that providing at-risk, equity-based compensation is a fundamental component of our compensation program, is essential to creating compensation opportunities that are competitive relative to market levels and aligns incentives with our shareholders’ interests in a manner that promotes long-term performance.

## Background to this Proposal 7

Four years of sustained macroeconomic challenges and a historic industry recession has resulted in a prolonged stock price decline. Given the decline in our stock price, our modeling in the last two years indicated we would not have enough shares available under the 2020 Plan to make our standard annual equity grants using our historical practices in 2025. To address this issue, the Company took actions to reduce share usage in 2024 and 2025, and proposed an amendment to the 2020 Plan to provide enough additional shares to issue 2025 annual grants. On May 21, 2024, shareholders approved the addition of 1,500,000 shares to the 2020 Plan. On May 28, 2025, shareholders again approved the addition of 500,000 shares to the 2020 Plan. The Company recently discovered it had not been accurately accounting for the number of shares in the 2020 Plan, including with respect to recycled shares that fluctuate annually. For that reason, the Company had approximately 500,000 more shares than it anticipated it would have when doing its calculations leading up to the May 28, 2025 Annual Meeting and shareholder vote. Nonetheless, with the depressed share value, an equity grant to a consultant as announced in January 2026, and the ongoing need to use equity to attract, retain and reward our team, the Company is still in need of requesting additional shares.

With industry demand continuing to decline in 2025, and the Company’s share price remaining depressed, the Company was again in the position of needing to take steps to limit share usage for our annual 2025 grants and conserve equity in light of our current situation. These steps included:

- Limiting the use of Performance Stock Units (PSUs) and continuing the elimination of Non-Qualified Stock Options, which have a more dilutive effect on the 2020 Plan;

- Limiting the number of team members that receive equity grants; and
- Eliminating the ability of our non-employee Directors to receive their cash retainer payments in stock.

While these actions were necessary to enable us to continue to use equity awards to compensate our team members in 2025, they are not long-term solutions. As of March 17, 2026, after our annual grants, including the conservation measures described above, we are left with approximately 583,000 shares available under the 2020 Plan. We do not believe that this is sufficient to provide competitive equity-based compensation to our team members beyond 2026.

To address this issue, and to enable the Company to retain critical talent as we execute the important task of transforming our operating model for greater financial resiliency and positioning the business for accelerating growth as the mattress industry recovers, on March 11, 2026, the Compensation Committee adopted an amendment to the 2020 Plan to increase the number of shares of our common stock available for issuance by an additional 750,000 shares (the Plan Amendment). The Plan Amendment is subject to the approval of shareholders. **We are asking shareholders to approve the Plan Amendment so that we can effectively maintain the vital equity component of our compensation program going forward.**

Our Board believes that equity compensation plays an important role in the Company's success by motivating and engaging our executives, team members and non-employee Directors and allowing them to participate in shareholder value creation through their ownership interest in the Company. **The Board therefore recommends that you vote to approve the Plan Amendment.**

If our shareholders approve the Plan Amendment, the Plan Amendment will become effective as of the date of shareholder approval. If our shareholders do not approve the Plan Amendment, the 2020 Plan, as currently in effect, will remain in effect until it terminates in accordance with its terms.

### **Key Vote Considerations**

Without sufficient shares to grant to our team members, we would be forced to rely on other forms of compensation, including cash. The retention value of non-stock-based awards may not be sufficient to retain key talent. As a result, we may need to deliver long-term incentive awards in the form of cash, which would reduce our financial flexibility and impact our ability to pay down debt, which is a top priority in 2026. Cash-based awards are also suboptimal because they are limited in their ability to align team member interests with shareholder interests over the long-term.

Our Board recommends you vote to approve the Plan Amendment because the Board believes an increase in the number of shares available for issuance under the 2020 Plan is in the best interests of our Company and our shareholders for the following reasons:

- We have been responsible stewards of shareholder equity. In response to our current situation, we have taken targeted steps over the last two years to significantly reduce share usage and operate within the constraints of the 2020 Plan with respect to the number of shares available.
- The Plan Amendment will advance Company and shareholder interests by allowing us to attract, motivate, and retain key talent. Having a talented and motivated management team is essential to executing our business strategies and achieving superior results. Stock-based incentive compensation has been an important component of the total direct compensation opportunity for our management team. It helps us provide a market competitive compensation opportunity that is predominantly performance-based and at risk.
- Our ability to award equity is essential to our ability to retain team members during an important time. The 2020 Plan is a broad-based plan under which the Company grants awards to NEOs, non-employee Directors and many current and prospective team members. The market for talent in our industry is competitive, and it is critical that we retain our

team members as we execute an important and complex transformation. Any impairment to our ability to attract and retain talent could limit our ability to realize the benefits of this initiative.

- The Plan Amendment is consistent with our pay-for-performance compensation philosophy. We believe that stock-based incentive compensation rewards our management team for superior performance in delivering sustainable and profitable growth. It is performance-based, fully at-risk, and only has value if the Company performance meets or exceeds predetermined financial goals, or if shareholder value increases. This reinforces our pay for performance culture.
- The Plan Amendment will enable us to continue aligning the interests of our executives with those of our shareholders. We have designed our stock-based incentive compensation so that our management team is motivated to achieve financial performance goals and increase shareholder value. This creates a strong alignment between our rewards and shareholder interests. Also, with our stock ownership guidelines, the ownership levels of our common stock that are maintained by our non-employee Directors and executives foster further alignment with the interests of our shareholders.
- The Plan Amendment protects shareholder interests and embraces sound stock-based compensation practices. As described in more detail below under the heading “Summary of Sound Governance Features of the 2020 Plan,” the 2020 Plan includes a number of features that are consistent with protecting the interests of our shareholders and sound corporate governance practices.

### **Summary of Sound Governance Features of the 2020 Plan**

The Board and the Compensation Committee believe that the 2020 Plan contains several features that are consistent with protecting the interests of our shareholders and sound corporate governance practices, including the following:

- No “evergreen” provision;
- No liberal share “recycling” for stock options or SARs;
- No reloads;
- Stock option exercise prices and SAR grant prices will not be lower than the fair market value on the grant date;
- No re-pricing or exchange of “underwater” options or SARs without shareholder approval;
- Stock options and SARs are not entitled to dividend equivalent rights;
- No dividends or dividend equivalents will be paid out on unvested awards;
- Shareholder approval is required for material revisions to the 2020 Plan;
- “Clawback” provisions; and
- “Double-Trigger” vesting in change in control.

### **Equity Compensation Plan Information and Share Usage Information**

In determining the number of shares of common stock by which to increase the 2020 Plan, the Board and the Compensation Committee considered a number of factors, which are discussed further below, including:

- Shares currently available under the 2020 Plan and total outstanding equity awards;
- Historical equity and award granting practice, including share usage (commonly referred to as “burn rate”); and
- Overhang and dilution.

## Shares Currently Available and Total Outstanding Equity Awards

<b>(all data as of March 17, 2025)</b>	
New Shares Requested	750,000
Shares Remaining Available for Issuance Under 2020 Plan	582,858
Common Shares Outstanding	23,042,873
Stock Options/SARs Outstanding	721,214
Weighted-Average Exercise Price of Outstanding Stock Options/SARs	\$42.07
Weighted-Average Remaining Term of Outstanding Stock Options/SARS	2.7
Total Stock-Settled Full-Value Awards Outstanding	4,189,251

### Share Usage

In determining the number of shares of common stock by which to increase the 2020 Plan, the Board and the Compensation Committee considered the historical number of equity awards granted under the 2020 Plan. The following table sets forth information regarding stock-settled, time-vested equity awards granted, and performance-based equity awards earned, over each of the last three fiscal years:

	2025	2024	2023	
Stock Options/Stock Appreciation Rights (SARs) Granted	—	—	305,000	<b>3-Year Average</b>
Stock-Settled Time-Vested Restricted Shares/Units Granted	1,233,000	674,000	304,000	
Stock-Settled Performance-Based Shares/Units Vested	5,000	45,000	201,000	
Weighted-Average Basic Common Shares Outstanding	22,883,000	22,606,000	22,429,000	
<b>Share Usage Rate</b>	5.4%	3.2%	3.6%	4.1%

Based on historical and anticipated granting practices, we expect the additional shares authorized for issuance by the Plan Amendment to cover awards through our 2026 annual grant. Expectations regarding future share usage could be impacted by a number of factors such as award type mix, hiring and promotion activity at the executive level, the rate at which shares are returned to the share reserve under permitted addbacks, the future performance of our stock price, the consequences of acquiring other companies and other factors. While we believe that the assumptions we used are reasonable, future share usage may differ from current expectations.

### Overhang

The following table sets forth certain information with respect to the Company's equity compensation plans:

	<b>As of</b>	
	<b>March 17, 2026</b>	<b>January 3, 2026</b>
Stock Options/SARs Outstanding	721,214	758,815
Weighted-Average Exercise Price of Outstanding Stock Options/SARs	\$42.07	\$42.47
Weighted-Average Remaining Term of Outstanding Stock Options/SARS	2.7 years	2.7 years
Total Stock-Settled Full-Value Awards Outstanding	4,189,251	2,247,617
Share reserve under the 2020 Plan	5,240,000	5,240,000
Proposed Amended Share reserve under the 2020 Plan	5,990,000	5,990,000

### Dilution and Expected Duration

Our Board recognizes the impact of dilution on our shareholders and has evaluated the Plan Amendment carefully in the context of the need to motivate, retain and ensure that our leadership team and key team members remain focused on our strategic priorities. The total fully-diluted overhang as of March 17, 2026 and January 3, 2026, assuming that the entire share reserve is granted in stock options, SARs, or full-value awards would be 19.3% and 22.0%, respectively. In this context, fully-diluted overhang is calculated as the sum of grants outstanding and shares available for future awards (numerator) divided by the sum of the numerator and basic common shares outstanding, with all data effective as of March 17, 2026 and January 3, 2026. Our Board believes that the increase included in the Plan Amendment represents a reasonable amount of potential equity dilution to accommodate our long-term strategic and growth priorities.

### **Summary of the 2020 Plan Features**

Below is a summary of the major features of the 2020 Plan, assuming approval of the Plan Amendment. Other than increasing the shares of common stock available for issuance, the Plan Amendment does not modify the terms of the 2020 Plan. The summary is qualified in its entirety by reference to the full text of the 2020 Plan, a copy of which may be obtained upon request to Investor Relations at 1001 Third Avenue South, Minneapolis, Minnesota, 55404 or by telephone at 763-551-7498. A copy of the Plan Amendment has also been filed electronically with the SEC as Appendix D to this Proxy Statement, available through the SEC's website at [www.sec.gov](http://www.sec.gov).

### Purpose

The purpose of the 2020 Plan is to advance the interests of the Company and its shareholders by enabling the Company and its subsidiaries to (i) attract, retain, and motivate our management team for achievement of Company results and creation of shareholder value, (ii) provide stock-based incentive compensation opportunities that are linked to the growth and profitability of the Company and increases in shareholder value, and (iii) provide opportunities for equity ownership that align the interests of key team members and Board members with those of our shareholders.

### Plan Administration

The 2020 Plan will be administered by the Compensation Committee, or by a subcommittee thereof, or any other committee designated by the Board in accordance with the 2020 Plan. All members of the Compensation Committee administering the 2020 Plan will be "non-employee Directors" within the meaning of Rule 16b-3 under the Exchange Act and "independent" under the Nasdaq listing rules, the rules and regulations of the SEC and other applicable laws.

Under the terms of the 2020 Plan, subject to certain limitations, the Compensation Committee has the authority to, among other things:

- Select eligible participants to whom awards are granted;
- Determine the types, amounts and terms of awards to be granted and when;
- Determine the provisions of such awards, including the applicable performance measures, if any, and the duration, restrictions and conditions of such awards;
- Interpret the 2020 Plan and any instrument evidencing an award under the 2020 Plan and establish rules and regulations pertaining to its administration;
- Determine fair market value in accordance with the 2020 Plan;
- Subject to shareholder approval requirements for some amendments, determine whether and under what circumstances and terms to amend the 2020 Plan or any outstanding award agreement;
- Adopt subplans or special provisions applicable to awards regulated by the laws of jurisdictions other than the United States;
- Authorize any person to execute on behalf of the Company an award agreement or other instrument required to effect a grant;

- Determine whether awards will be settled in shares of common stock, cash or in any combination thereof;
- Determine whether an award will be eligible for dividend equivalent rights;
- Impose restrictions, conditions or limitations on resales and subsequent transfers; and
- Make any other determination and take any other action that the Compensation Committee deems necessary or desirable for administration of the 2020 Plan.

#### Delegation

To the extent permitted by applicable law, the Compensation Committee may delegate to one or more of its members or to one or more officers of the Company such administrative duties or powers, as it may deem advisable. The Compensation Committee may authorize one or more Directors or officers of the Company to designate team members, other than officers, Directors or 10% shareholders of the Company, to receive awards under the plan and determine the size of any such awards, subject to certain limitations.

#### No Re-pricing or Exchange

Except in connection with a change in control, the Compensation Committee may not, except as described below under the heading “Adjustments,” without prior approval of our shareholders, seek to effect any re-pricing of any previously granted option or SAR by: (i) amending or modifying the terms of the option or SAR to lower the exercise price, (ii) canceling an underwater option or SAR in exchange for (A) cash, (B) replacement options or SARs having a lower exercise price or (C) other awards, or (iii) repurchasing the underwater options or SARs and granting new awards under the 2020 Plan. An option or SAR will be deemed to be “underwater” at any time when the fair market value of the common stock is less than the exercise price of the option or SAR.

#### Shares Authorized

Subject to adjustment, the maximum number of shares of our common stock authorized for issuance under the 2020 Plan, assuming the Plan Amendment is approved, is 5,990,000 shares less one share for every share subject to an award granted under the Prior Plan between December 28, 2019, and the date of shareholder approval of the 2020 Plan. No more than 5,990,000 shares may be granted as incentive stock options.

If (i) any shares subject to an award are forfeited, an award expires or an award is settled for cash (in whole or in part) or (ii) after December 28, 2019 any shares subject to an award under the Prior Plan is forfeited, expires or settled for cash (in whole or in part), then in each such case the shares subject to such award will, to the extent of such forfeiture, expiration or cash settlement, be added to the shares available for awards under the 2020 Plan. As noted above, the Company had not fully accounted for certain recycled shares in prior years, but as disclosed above, this has now been rectified. In the event that withholding tax liabilities arising from an award (other than an option or SAR) or, after December 28, 2019, an award under the Prior Plan (other than an option or SAR) is satisfied by the tendering of shares (either actually or by attestation) or by the withholding of shares by the Company, the shares so tendered or withheld will be added to the shares available for awards under the 2020 Plan. However, the following shares will not be added to the shares authorized for grant under the 2020 Plan: (i) shares tendered by a participant or withheld by the Company in payment of the exercise price of an option under the 2020 Plan or the Prior Plan, (ii) shares tendered by a participant or withheld by the Company to satisfy any tax withholding obligation with respect to options or SARs under the 2020 Plan or the Prior Plan, (iii) shares subject to a SAR under the 2020 Plan or the Prior Plan that are not issued in connection with its stock settlement on exercise thereof and (iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options under the 2020 Plan or the Prior Plan.

#### Limits on Non-Employee Director Awards

Awards granted during a single fiscal year to any non-employee Director, taken together with any cash fees paid during the fiscal year to the non-employee Director, in respect of the Director’s service as a member of the Board during such year, shall not exceed \$500,000 in total value. The independent members of the Board may make exceptions to this limit

for a non-executive chair of the Board, provided that the non-employee Director receiving such additional compensation may not participate in the decision to award such compensation.

#### Minimum Vesting Requirement

Awards granted under the 2020 Plan (other than annual performance cash awards and other cash-based awards) shall vest no earlier than the first anniversary of the date on which the award is granted; provided, that the following awards shall not be subject to the foregoing minimum vesting requirement: any (i) substitute awards granted in connection with awards that are assumed, converted or substituted pursuant to a merger, acquisition or similar transaction entered into by the Company or any of its subsidiaries in accordance with Section 20 of the 2020 Plan, (ii) shares delivered in lieu of fully vested cash obligations, (iii) awards to non-employee Directors that vest on the earlier of the one-year anniversary of the grant date and the next Annual Meeting of shareholders of the Company which is at least 50 weeks after the immediately preceding year's Annual Meeting and (iv) any additional awards the Compensation Committee may grant, up to a maximum of 5% of the available share reserve authorized for issuance under the 2020 Plan; and, provided, further, that the foregoing restriction does not apply to the Compensation Committee's discretion to provide for accelerated exercisability or vesting of any award, including in cases of retirement, death, disability or a change in control, in the terms of the award agreement or otherwise.

#### Adjustments

In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin off) or other similar change in the corporate structure or shares of the Company, the Compensation Committee will make the appropriate adjustment. These adjustments may be to the number and kind of securities and property that may be available for issuance under the 2020 Plan or the terms and conditions of any outstanding awards, including any performance goals or criteria with respect thereto. In order to prevent dilution or enlargement of the rights of participants, the Compensation Committee may also adjust the number, kind, and exercise price of securities or other property subject to outstanding awards.

#### Participation

Awards may be granted to team members, non-employee Directors and consultants of the Company or any of its subsidiaries. A "consultant" is one who renders services that are not in connection with the offer and sale of our securities in a capital raising transaction and does not directly or indirectly promote or maintain a market for our securities. As of March 13, 2026, approximately 270 team members and six non-employee Directors would have been eligible to participate in the 2020 Plan.

#### Types of Awards

The 2020 Plan will permit us to grant non-statutory and incentive stock options, SARs, restricted stock awards, restricted stock units, deferred stock units, annual performance cash awards, other cash-based awards and other stock-based awards. Awards may be granted either alone or in addition to or in tandem with any other type of award.

#### Non-Statutory and Incentive Stock Options

Stock options entitle the holder to purchase a specified number of shares of our common stock at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The 2020 Plan permits the grant of both non-statutory and incentive stock options, though incentive stock options may be granted only to team members. Each stock option granted under the 2020 Plan must be evidenced by an award agreement that specifies the exercise price, the term, the number of shares underlying the stock option, the vesting and any other conditions. Except for substitute awards granted under Section 20 of the 2020 Plan, the exercise price of each stock option granted under the 2020 Plan must be at least 100% of the fair market value of a share of our common stock as of the date the award is granted to a participant. Fair market value is the closing price of our common stock, as reported on the Nasdaq. The closing price of our common stock, as reported on the Nasdaq, on March 13, 2026, was \$3.45 per share. The

Compensation Committee will fix the terms and conditions of each stock option, subject to certain restrictions. The Compensation Committee will fix the term of each stock option, but stock options granted under the 2020 Plan will not be exercisable more than 10 years after the date the stock option is granted. Stock options may be exercised, in whole or in part, by payment in full of the exercise price in cash or its equivalent. In the discretion of the Compensation Committee, payment may also be made by the delivery of common stock already owned by the participant prior to such delivery or to be issued upon the exercise of the option being exercised, by broker-assisted cashless exercise, by “net exercise,” or by a combination of such methods; or such other method as may be permitted by the Compensation Committee. In the case of a “net exercise” of a stock option, we will not require payment of the exercise price or any required tax withholding obligations related to the exercise, but will reduce the number of shares issued upon the exercise by the largest number of whole shares that has a fair market value that does not exceed the aggregate exercise price for the shares underlying the stock option and any required tax withholding obligations.

#### Stock Appreciation Rights

A stock appreciation right, or SAR, is a right granted to receive payment of cash, stock or a combination of both, equal to the difference between the fair market value of shares of our common stock and the exercise price of such shares. Each SAR granted must be evidenced by an award agreement that specifies the exercise price, the term, and such other provisions as the Compensation Committee may determine. Except for substitute awards granted under Section 20 of the 2020 Plan, the exercise price of a SAR must be at least 100% of the fair market value of our common stock on the date of grant. The Compensation Committee will fix the term of each SAR, but SARs granted under the 2020 Plan will not be exercisable more than 10 years after the date the SAR is granted.

#### Restricted Stock Awards, Restricted Stock Units and Deferred Stock Units

Restricted stock awards, restricted stock units and/or deferred stock units may be granted under the 2020 Plan. A restricted stock award is an award of common stock that is subject to restrictions on transfer and risk of forfeiture upon certain events, typically including termination of service. Restricted stock units are similar to restricted stock awards, except that no shares are actually awarded to the participant on the grant date. A deferred stock unit is a right that allows a participant to receive shares of our common stock at a future time as determined by the Compensation Committee or the participant, subject to certain guidelines. The Compensation Committee shall determine, and set forth in an award agreement, the period of restriction, the number of shares of restricted stock awards or the number of restricted stock units granted, and other such conditions or restrictions, including, in the case of a performance award, any performance goals upon which the performance award is subject and any performance period during which any performance goals must be achieved. Participants holding shares of restricted stock awards may be granted voting rights with respect to their shares, but participants holding restricted stock units and/or deferred stock units will not have voting rights with respect to their restricted stock units and/or deferred stock units. After all conditions and restrictions applicable to restricted stock awards, restricted stock units and/or deferred stock units have been satisfied or have lapsed (including the satisfaction of any applicable tax withholding obligations), shares of restricted stock awards will become freely transferable (except as otherwise provided in the 2020 Plan), and restricted stock units will be paid in cash, shares of our common stock, or some combination of cash and shares of our common stock as determined by the Compensation Committee. The Compensation Committee may provide that a restricted stock award is conditioned upon the participant making or refraining from making an election with respect to the award under Section 83(b) of the IRC.

#### Annual Performance Cash Awards

Annual performance cash awards may be granted under the 2020 Plan in such amounts and upon such terms as the Compensation Committee may determine, based on the achievement of specified performance goals for annual periods or other time periods, as determined by the Compensation Committee.

### Non-Employee Director Awards

The Compensation Committee at any time and from time to time may grant to non-employee Directors non-statutory stock options, SARs or full value awards. Any such awards may be granted singly, in combination or in tandem, and may be granted pursuant to such terms, conditions and limitations as the Compensation Committee may establish in its sole discretion consistent with the provisions of the 2020 Plan.

The 2020 Plan permits non-employee Directors to elect to receive shares of our common stock in lieu of their Director fees otherwise payable in cash. The election to receive our common stock in lieu of cash must be made in the calendar quarter preceding the date any such fees are payable. The number of shares to be issued is determined by dividing the dollar amount of reserved fees by the fair market value of our common stock on the date such fees would otherwise have been payable.

### Other Cash-Based Awards and Other Stock-Based Awards

Cash-based awards that are not annual performance cash awards may be granted to participants in such amounts and upon such terms as the Compensation Committee may determine. These other cash-based awards will be paid in cash only. Other stock-based awards (including the grant or offer for sale of unrestricted shares of our common stock or the payment in cash or otherwise of amounts based on the value of shares of our common stock) may be granted in such amounts and subject to such terms and conditions (including performance goals) as determined by the Compensation Committee. These other stock-based awards shall be expressed in terms of shares of our common stock or units based on shares of our common stock, as determined by the Compensation Committee. Other stock-based awards will be paid in cash or shares of our common stock, as determined by the Compensation Committee.

### Performance Measure Elements

The performance goals upon which the payment or vesting of a performance award depends may include, without limitation, one or more of the following performance measure elements:

- Sales and revenue measure elements, including gross revenue or sales, sales allowances, net revenue or net sales, invoiced revenue or sales, collected revenue or sales, revenues from new products and bad debts;
- Expense measurement elements, including direct material costs, direct labor costs, indirect labor costs, direct manufacturing costs, indirect manufacturing costs, cost of goods sold, sales, general and administrative expenses, operating expenses, non-cash expenses, tax expense, non-operating expenses and total expenses;
- Profitability and productivity measure elements, including gross margin, net operating income, EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes), NOPAT (net operating income after taxes), net income, net cash flow and net cash flow from operations;
- Asset utilization and effectiveness measure elements, including cash, excess cash, accounts receivable, inventory (work-in-progress or finished goods), current assets, working capital, total capital, fixed assets, total assets, standard hours, plant utilization, purchase price variance and manufacturing overhead variance;
- Debt and equity measure elements, including accounts payable, current accrued liabilities, total current liabilities, total debt, debt principal payments, net current borrowings, total long-term debt, credit rating, retained earnings, total preferred equity, total common equity and total equity;
- Shareholder and return measure elements, including earnings per share (diluted and fully diluted), stock price, dividends, shares repurchased, total return to shareholders, debt coverage ratios, return on assets, return on equity, return on invested capital and economic profit (for example, economic value added);
- Customer and market measure elements, including dealer/channel size/scope, dealer/channel performance/effectiveness, order fill rate, customer satisfaction, customer service/care, brand awareness and perception, market share, warranty rates, product quality and channel inventory; and

- Organizational and team member measure elements, including headcount, team member performance, team member productivity, standard hours, team member engagement/satisfaction, team member turnover and team member diversity.

The Compensation Committee may amend or modify the vesting criteria (including any performance goals, performance measures or performance periods) of any outstanding awards based in whole or in part on the financial performance of the Company (or any subsidiary or division, business unit or other sub-unit thereof) in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations or accounting principles, whenever the Compensation Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the 2020 Plan.

#### Dividend Equivalents

With the exception of stock options and SARs, awards under the 2020 Plan may, in the Compensation Committee's discretion, earn dividend equivalents with respect to the cash or stock dividends or other distributions that would have been paid on the shares of our common stock covered by such award had such shares been issued and outstanding on the dividend payment date. Such dividend equivalents will be converted to cash or additional shares of our common stock by such formula and at such time and subject to such limitations as determined by the Compensation Committee, and only paid out once the award becomes vested.

#### Termination of Service

Unless otherwise expressly set forth in an individual agreement, the Compensation Committee will have the sole discretion to determine and set forth in an award agreement the effect that the termination of a participant's employment or other service with the Company and all subsidiaries may have on any award.

#### Modification of Rights upon Termination

Upon a participant's termination of employment or other service with the Company or any subsidiary, the Compensation Committee may, in its sole discretion (which may be exercised at any time on or after the grant date, including following such termination) cause stock options or SARs (or any part thereof) held by such participant as of the effective date of such termination to terminate, become or continue to become exercisable or remain exercisable following such termination of employment or service, and restricted stock, restricted stock units, deferred stock units, performance awards, annual performance cash awards, non-employee Director awards, other cash-based awards and other stock-based awards held by such participant as of the effective date of such termination to terminate, vest or become free of restrictions and conditions to payment, as the case may be, following such termination of employment or service, in each case in the manner determined by the Compensation Committee; provided, however, that no stock option or SAR may remain exercisable beyond its expiration date.

#### Determination of Termination

The change in a participant's status from a team member to a consultant will be deemed a termination unless the Compensation Committee determines otherwise, in its sole discretion. The change in a participant's status from a consultant to a team member or from that of a team member to that of a Director will not be deemed a termination of the participant's service as a consultant or team member, respectively. Unless the Compensation Committee determines otherwise, a participant's termination date will be deemed to be the date recorded on personnel or other records of the Company or any subsidiary. If the payment of an award that is subject to Section 409A of the IRC is triggered by termination of a participant's employment or other service, the termination must also constitute a "separation from service" within the meaning of Section 409A of the IRC, and any change in employment status that constitutes a "separation from service" under Section 409A of the IRC will be treated as a termination of employment or service, as the case may be.

#### Forfeiture and Recoupment

If a participant is determined by the Compensation Committee to have taken any action while providing services to the Company or after termination of such services, that would constitute “cause” or an “adverse action,” as such terms are defined in the 2020 Plan, all rights of the participant under the 2020 Plan and any agreements evidencing an award then held by the participant will terminate and be forfeited. The Compensation Committee has the authority to rescind the exercise, vesting, issuance or payment in respect of any awards of the participant that were exercised, vested, issued or paid, and require the participant to pay to the Company, within ten days of receipt of notice, any amount received or the amount gained as a result of any such rescinded exercise, vesting, issuance or payment. The Company may defer the exercise of any stock option or SAR for up to six months after receipt of notice of exercise in order for the Compensation Committee to determine whether “cause” or “adverse action” exists. The Company is entitled to withhold and deduct future wages to collect any amount due. In addition, if the Company is required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, then any participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 will reimburse the Company for the amount of any award received by such individual under the 2020 Plan during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission, as the case may be, of the financial document embodying such financial reporting requirement. The Company may also seek to recover any award made as required by the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other clawback, forfeiture or recoupment provision required by applicable law or under the requirements of any stock exchange or market upon which our common stock is then listed or traded. In addition, all awards under the 2020 Plan will be subject to forfeiture and other penalties pursuant to any standalone clawback or forfeiture policy of the Company, as in effect from time to time, including the Sleep Number Corporation Clawback and Forfeiture Policy, and such forfeiture and/or penalty conditions or provisions as determined by the Compensation Committee and set forth in the applicable award agreement.

#### Change in Control and Acceleration of Vesting

Generally, a change in control means the occurrence of any one of the following events:

- During any 24 month period, individuals who, as of the beginning of such period, constitute the Board cease for any reason to constitute at least a majority of the Board, subject to certain exceptions;
- Any person is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board, subject to certain exceptions;
- The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company’s shareholders, unless certain criteria are met; or
- The consummation of a sale of all or substantially all of the Company’s assets or the approval by shareholders of the Company of a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, such a change in control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 35% of the Company’s voting securities as a result of the acquisition of Company voting securities by the Company which reduces the number of our voting securities outstanding. However, if after such acquisition by the Company such person becomes the beneficial owner of additional voting securities of the Company that increases the percentage of our outstanding voting securities beneficially owned by such person, a change in control of the Company shall then occur.

Without limiting the authority of the Compensation Committee to adjust awards as discussed under the headings “Plan Administration” and “Adjustments,” if a change in control of the Company occurs, then, unless otherwise provided in the Award Agreement, if the Company is not the surviving corporation or the acquiring corporation does not assume the outstanding awards or substitute equivalent awards, then:

- All outstanding stock options and SARs will become immediately exercisable in full and will remain exercisable for the remainder of their terms, regardless of whether the participant to whom such stock options or SARs have been granted remains in employment or service with the Company or any subsidiary;
- All restrictions and vesting requirements applicable to any award based solely on the continued service of the participant will terminate; and
- All awards, the vesting or payment of which are based on performance goals, will vest as though such performance goals were fully achieved at target and will become immediately payable.

However, no award that provides for a deferral of compensation within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (IRC) will be cashed out upon the occurrence of a change in control unless the event or circumstances constituting the change in control also constitute a “change in the ownership” of the Company, a “change in the effective control” of the Company or a “change in the ownership of a substantial portion of the assets” of the Company, in each case as determined under Section 409A of the IRC. The treatment of any other awards in the event of a change in control will be as determined by the Compensation Committee in connection with the grant thereof, as reflected in the applicable award agreement. The Compensation Committee is given the power under the 2020 Plan to alternatively provide that upon a change in control, any or all outstanding stock-based awards will be canceled and terminated and the holders will receive a payment of cash or stock equal to the difference, if any, between the consideration received by shareholders in respect of a share of common stock in connection with the change in control and the purchase price per share, if any, under the award, multiplied by the number of shares subject to such award, provided that if such product is zero or less, or the award is not exercisable, the award may be canceled and terminated without payment for such award.

If a participant’s employment or other service with the Company is terminated without “cause” or “adverse action” (as such terms are defined in the 2020 Plan) within two years following a change in control, and the Company is the surviving corporation following such change in control, or the acquiror assumes the outstanding awards or substitutes equivalent equity awards relating to the securities of such acquiror or its affiliates for such awards, then:

- All outstanding options and SARs will become immediately exercisable in full and will remain exercisable for the remainder of their terms, regardless of whether the participant to whom such options or SARs have been granted remains in employment or service with the Company;
- All restrictions and vesting requirements applicable to any award based solely on the continued service of the participant will terminate; and
- All awards, the vesting or payment of which is based on performance goals, will vest as though such performance goals were fully achieved at target and will become immediately payable.

However, no award that provides for a deferral of compensation within the meaning of Section 409A of the IRC will be cashed out upon the occurrence of a change in control unless the event or circumstances constituting the change in control also constitute a “change in the ownership” of the Company, a “change in the effective control” of the Company or a “change in the ownership of a substantial portion of the assets” of the Company, in each case as determined under Section 409A of the IRC. The treatment of any other awards in the event of a change in control will be as determined by the Compensation Committee in connection with the grant thereof, as reflected in the applicable award agreement.

#### Substituted Awards

The Compensation Committee may grant awards under the 2020 Plan in substitution for stock and stock-based awards held by team members of another entity who become team members of the Company or a subsidiary as a result of a

merger or consolidation of the former employing entity with the Company or a subsidiary or the acquisition by the Company or a subsidiary of property or stock of the former employing corporation. The Compensation Committee may direct that the substitute awards be granted on such terms and conditions as the Compensation Committee considers appropriate in the circumstances, subject to compliance with the rules under Sections 409A, 422 and 424 of the IRC, as and where applicable.

#### Term, Termination and Amendment

Unless sooner terminated by the Board, the 2020 Plan will terminate at midnight on May 12, 2030. No award will be granted after termination of the 2020 Plan, but awards outstanding upon termination of the 2020 Plan will remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the 2020 Plan.

Subject to certain exceptions, the Board has the authority to terminate and the Compensation Committee has the authority to amend the 2020 Plan or any outstanding award agreement at any time and from time to time, provided that certain amendments to the 2020 Plan will not become effective without shareholder approval, as set forth below. No termination, suspension or amendment of the 2020 Plan may materially adversely affect any outstanding award without the consent of the affected participant.

No amendments to the 2020 Plan will be effective without approval of the Company's shareholders if: (a) shareholder approval of the amendment is then required pursuant to Section 422 of the IRC, the rules of the primary stock exchange on which the common stock is then traded, applicable U.S. state and federal laws or regulations and the applicable laws of any foreign country or jurisdiction where awards are, or will be, granted under the 2020 Plan or (b) such amendment would: (i) modify the restrictions on re-pricing, (ii) materially increase benefits accruing to participants, (iii) subject to certain adjustments, increase the aggregate number of shares of common stock issued or issuable under the 2020 Plan, (iv) modify the eligibility requirements for participants in the 2020 Plan or (v) reduce the minimum exercise price as set forth in the 2020 Plan.

#### Plan Benefits

It is not presently possible to determine the benefits or amounts that will be received by or allocated to participants under the 2020 Plan or that would have been received by or allocated to participants for the last completed fiscal year if the 2020 Plan had then been in effect because awards under the 2020 Plan will be made at the discretion of the Compensation Committee.

## Awards Previously Granted Under 2020 Plan

The following table sets forth the total number of shares of our common stock subject to awards that have been granted (even if not currently outstanding) under the 2020 Plan as of March 13, 2026:

Name and Position	Number of Shares Underlying Stock Options	Target Number of PSUs	Number of Shares Underlying RSUs
Linda Findley, President and CEO <sup>(1)</sup>	—	—	—
Shelly Ibach, former President and CEO	135,260	312,656	90,946
Francis Lee, former EVP and CFO	72,005	91,855	88,770
Robert Ryder, former Interim CFO	—	—	—
Amy O'Keefe, EVP and CFO <sup>(2)</sup>	—	—	—
Andrea Bloomquist, former EVP and Chief Innovation Officer	28,060	102,932	56,417
Kevin Brown, former EVP and Chief Marketing Officer	19,735	70,631	38,081
Melissa Barra, EVP, Chief Sales and Services Officer	27,965	102,787	56,417
Samuel Hellfeld, EVP, Chief Legal and Risk Officer	22,085	83,349	53,916
Christopher Krusmark, EVP and Chief Retail and People Officer	15,890	57,240	41,720
Current Executive Group	326,530	830,560	473,594
Non-Employee Director Group	63,996	—	241,626
All Other Employee and Consultant Group	143,380	325,927	2,523,936

<sup>(1)</sup> Ms. Findley assumed the role of President and Chief Executive Officer on April 7, 2025. As an incentive to join the Company, Ms. Findley received inducement grants. See "Pay Elements: Benefits and Perquisites - New CEO Hire Package" on page 42 for further details.

<sup>(2)</sup> Ms. O'Keefe assumed the role of Executive Vice President and Chief Financial Officer on December 8, 2025. As an incentive to join the Company, Ms. O'Keefe received inducement grants of 69,742 shares of a restricted stock unit granted on December 15, 2025. See "Pay Elements: Benefits and Perquisites - New CFO Hire Package" on page 44 for further details.

## Federal Income Tax Information

The following is a general summary, as of the date of this Proxy Statement, of the federal income tax consequences to participants and the Company of transactions under the 2020 Plan. This summary is intended for the information of shareholders considering how to vote at the 2026 Annual Meeting and not as tax guidance to participants in the 2020 Plan, as the consequences may vary with the types of grants made, the identity of the participant, including the participant's individual tax situation, and the method of payment or settlement. The summary does not address the effects of other federal taxes or taxes imposed under state, local or foreign tax laws. Participants are encouraged to seek the advice of a qualified tax advisor regarding the tax consequences of participation in the 2020 Plan.

### Incentive Stock Options

With respect to statutory stock options, which are more commonly referred to as incentive stock options, generally, the participant is not taxed, and we are not entitled to a deduction, on either the grant or the exercise of an incentive stock option so long as the requirements of Section 422 of the IRC continue to be met (the participant may, however, need to determine whether there are any alternative minimum tax (AMT) implications upon exercise). If the participant meets the employment requirements and does not dispose of the shares of our common stock acquired upon exercise of an incentive stock option until at least one year after date of the exercise of the stock option and at least two years after the date the stock option was granted, gain or loss realized on sale of the shares will be treated as long-term capital gain or loss. If the shares of our common stock are disposed of before those periods expire, which is called a disqualifying disposition, the participant will be required to recognize ordinary income in an amount equal to the lesser of (i) the excess, if any, of the fair market value of our common stock on the date of exercise over the exercise price or (ii) if the disposition is a taxable sale or exchange, the amount of gain realized. Upon a disqualifying disposition, we will generally be entitled, in the same tax year, to a deduction equal to the amount of ordinary income recognized by the participant, assuming that a deduction is allowed under Section 162(m) of the IRC.

### Non-Statutory Stock Options

The grant of a stock option that does not qualify for treatment as an incentive stock option, which is generally referred to as a non-statutory stock option, is generally not a taxable event for the participant. Upon exercise of the stock option, the participant will generally be required to recognize ordinary income in an amount equal to the excess of the fair market value of our common stock acquired upon exercise (determined as of the date of exercise) over the exercise price of the stock option, and we will be entitled to a deduction in an equal amount in the same tax year, assuming that a deduction is allowed under Section 162(m) of the IRC. At the time of a subsequent sale or disposition of shares obtained upon exercise of a non-statutory stock option, any gain or loss will be a capital gain or loss, which will be either a long-term or short-term capital gain or loss, depending on how long the shares have been held.

### Stock Appreciation Rights (SARs)

The grant of a SAR will not cause the participant to recognize ordinary income or entitle us to a deduction for federal income tax purposes. Upon the exercise of a SAR, the participant will recognize ordinary income in the amount of the cash or the value of shares payable to the participant (before reduction for any withholding taxes), and we will receive a corresponding deduction in an amount equal to the ordinary income recognized by the participant, assuming that a deduction is allowed under Section 162(m) of the IRC.

### Restricted Stock, Restricted Stock Units, Deferred Stock Units and Other Stock-Based Awards

The federal income tax consequences with respect to restricted stock, restricted stock units, deferred stock units and other stock unit and stock-based awards depend on the facts and circumstances of each award, including, in particular, the nature of any restrictions imposed with respect to the awards. In general, if an award granted to the participant is subject to a "substantial risk of forfeiture" (e.g., the award is conditioned upon the future performance of substantial services by the participant) and is nontransferable, a taxable event occurs when the risk of forfeiture ceases or the awards become transferable, whichever first occurs. At such time, the participant will recognize ordinary income to the extent of the excess of the fair market value of the stock on such date over the participant's cost for such stock (if any), and the same amount is deductible by us, assuming that a deduction is allowed under Section 162(m) of the IRC. Under certain circumstances, the participant, by making an election under Section 83(b) of the IRC within thirty days of the grant date of an award, can accelerate federal income tax recognition with respect to an award of stock that is subject to a substantial risk of forfeiture and transferability restrictions, in which event the ordinary income amount and our deduction will be measured and timed as of the grant date of the award. If the award granted to the participant is not subject to a substantial risk of forfeiture or transferability restrictions, the participant will recognize ordinary income with respect to the award to the extent of the excess of the fair market value of the stock at the time of grant over the participant's cost, if any, and the same amount is deductible by us, assuming that a deduction is allowed under Section 162(m) of the IRC. If a stock unit award or other stock-based award is granted but no stock is actually issued to the participant at the time the award is granted, the participant will recognize ordinary income at the time the participant receives stock free of any substantial risk of forfeiture (or receives cash in lieu of such stock) and the amount of such income will be equal to the fair market value of the stock at such time over the participant's cost, if any, and the same amount is then deductible by us, assuming that a deduction is allowed under Section 162(m) of the IRC.

### Annual Performance Cash Awards and Other Cash-Based Awards

Annual performance cash awards and other cash-based awards will be taxable as ordinary income to the participant in the amount of the cash received by the participant (before reduction for any withholding taxes), and we will receive a corresponding deduction in an amount equal to the ordinary income recognized by the participant, assuming that a deduction is allowed under Section 162(m) of the IRC.

### Withholding Obligations

We are entitled to withhold and deduct from future wages of the participant, to make other arrangements for the collection of, or to require the recipient to pay to us, an amount necessary for us to satisfy the recipient's federal, state or local tax

withholding obligations with respect to awards granted under the 2020 Plan. Withholding for taxes may be calculated based on the maximum applicable tax rate for the participant's jurisdiction or such other rate that will not trigger a negative accounting impact on the Company. The Compensation Committee may permit a participant to satisfy a tax withholding obligation by withholding shares of common stock underlying an award, tendering previously acquired shares, delivery of a broker exercise notice or a combination of these methods.

#### Code Section 409A

A participant may be subject to a 20% penalty tax, in addition to ordinary income tax, at the time the grant becomes vested, plus an interest penalty tax, if the grant constitutes deferred compensation under Section 409A of the IRC and the requirements of Section 409A of the IRC, including any exceptions thereto, are not satisfied.

#### Code Section 162(m)

Pursuant to Section 162(m) of the IRC, the annual compensation paid to an individual who is a "covered employee" is not deductible by us to the extent it exceeds \$1 million. The Tax Cuts and Jobs Act, signed into law on December 22, 2017, amended Section 162(m), effective for tax years beginning after December 31, 2017, (i) to expand the definition of a "covered employee" to include any person who was the CEO or the Chief Financial Officer (CFO) at any time during the year and the three most highly compensated officers (other than the CEO and CFO) who were employed at any time during the year whether or not the compensation is reported in the Summary Compensation Table included in our Proxy Statement; (ii) to treat any individual who is considered a covered employee at any time during a tax year beginning after December 31, 2016 as remaining a covered employee permanently; and (iii) to eliminate the performance-based compensation exception to the \$1 million deduction limit (with a transition provision continuing the performance-based exception for certain compensation covered by a written binding contract in existence on November 2, 2017).

#### Excise Tax on Excess Parachute Payments

Unless otherwise provided in a separate agreement between a participant and the Company, if, with respect to a participant, the acceleration of the vesting of an award or the payment of cash in exchange for all or part of an award, together with any other payments that such participant has the right to receive from the Company, would constitute an "excess parachute payment" under Section 280G of the IRC, then the payments to such participant will be reduced to the largest amount as will result in no portion of such payments being subject to the excise tax imposed by Section 4999 of the IRC. Such reduction, however, will only be made if the aggregate amount of the payments after such reduction exceeds the difference between the amount of such payments absent such reduction minus the aggregate amount of the excise tax imposed under Section 4999 of the IRC attributable to any such excess parachute payments. If such provisions are applicable and if a team member will be subject to a 20% excise tax on any "excess parachute payment" pursuant to Section 4999 of the IRC, we will be denied a deduction with respect to such excess parachute payment pursuant to Section 280G of the IRC.

## Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup> (a)	Weighted average exercise price of outstanding options, warrants and rights <sup>(3)</sup> (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(4) (c)</sup>
Equity compensation plans approved by security holders	3,007,357 <sup>(2)</sup>	\$ 42.47	3,436,823
Equity compensation plans not approved by security holders	None	Not applicable	None
<b>Total</b>	<b>3,007,357</b>	<b>\$ 42.47</b>	<b>3,436,823</b>

<sup>(1)</sup> Includes the 2020 Plan and the Sleep Number Corporation 2010 Omnibus Incentive Plan.

<sup>(2)</sup> This amount includes 1,122,642 restricted stock units, 1,106,148 performance-based stock units and 18,927 phantom shares. Performance-based stock units are shown at target. The actual number of shares to be issued under performance-based stock unit awards depends on Company performance against goals.

<sup>(3)</sup> The weighted average exercise price does not take into account the unvested restricted stock units, performance-based stock units or phantom shares, which have no exercise price.

<sup>(4)</sup> This represents the number of shares of common stock available for issuance under the 2020 Plan.

### Board Recommendation

The Board unanimously recommends that the shareholders vote “**For**” approval of the amendment to the Sleep Number Corporation 2020 Equity Incentive Plan, as amended, to increase the number of shares authorized for issuance by 750,000 shares.

### Vote Required

The affirmative vote of the holders of a majority of the shares of common stock present and entitled to vote in person or by proxy on this matter at the Annual Meeting, and at least a majority of the minimum number of votes necessary for a quorum, is necessary for approval of the Plan Amendment. Unless a contrary choice is specified, proxies solicited by the Board will be voted “**For**” approval of the Plan Amendment.

## OUR SHAREHOLDERS

### STOCK OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table shows the beneficial ownership of Sleep Number common stock as of February 28, 2026 (unless another date is indicated) by: (a) each Director, each nominee for Director recommended by our Board and each executive officer named in the Summary Compensation Table on page 49 of this Proxy Statement, (b) all Directors and executive officers as a group and (c) each person known by us to be the Beneficial Owner of more than 5% of Sleep Number common stock.

Title of Class	Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)(3)</sup>	Percent of Class
<b>Named Executive Officers and Directors:</b>			
Common Stock	Melissa Barra	131,665	*
Common Stock	Andrea L. Bloomquist	131,414	*
Common Stock	Kevin K. Brown	41,437	*
Common Stock	Phillip M. Eyer <sup>(4)</sup>	16,957	*
Common Stock	Linda A. Findley	285,549	1.2%
Common Stock	Stephen L. Gulis, Jr <sup>(4)</sup>	93,772	*
Common Stock	Samuel R. Hellfeld	96,509	*
Common Stock	Julie M. Howard <sup>(4)</sup>	41,385	*
Common Stock	Shelly R. Ibach	836,711	3.6%
Common Stock	Deborah L. Kilpatrick, Ph.D. <sup>(4)</sup>	41,204	*
Common Stock	Christopher K. Krusmark	57,416	*
Common Stock	Brenda J. Lauderback <sup>(4)</sup>	69,331	*
Common Stock	Francis K. Lee	18,874	*
Common Stock	Stephen E. Macadam <sup>(4)</sup>	111,318	*
Common Stock	Barbara R. Matas <sup>(4)</sup>	60,561	*
Common Stock	Angel L. Mendez <sup>(4)</sup>	16,957	*
Common Stock	Amy K. O'Keefe	—	*
Common Stock	Robert P. Ryder	15,000	*
Common Stock	Hilary A. Schneider	12,102	*
Common Stock	All current Directors and executive officers as a group (14 persons) <sup>(5)</sup>	850,417	3.6%
<b>5% Shareholders:</b>			
Common Stock	Stadium Capital Management LLC <sup>(6)</sup> 199 Elm Street New Canaan, CT 06840	2,616,459	11.4%
Common Stock	M Partners Fund LP <sup>(7)</sup> 24 Shipyard Drive, Suite 102 Hingham, MA 02043	2,263,729	9.9%
Common Stock	FMR LLC <sup>(8)</sup> 245 Summer Street Boston, MA 02210	2,129,876	9.3%
Common Stock	BlackRock, Inc. <sup>(9)</sup> 55 East 52 <sup>nd</sup> Street New York, New York 10055	1,455,050	6.4%

Title of Class	Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)(3)</sup>	Percent of Class
Common Stock	The Vanguard Group, Inc. <sup>(10)</sup> 100 Vanguard Blvd. Malvern, Pennsylvania 19355	1,246,460	5.5%
Common Stock	Pacific Ridge Capital Partners, LLC <sup>(11)</sup> 4900 Meadows Rd, Ste 320 Lake Oswego, OR 97035	1,145,612	5.0%

\* Less than 1% of the outstanding shares.

<sup>(1)</sup> The business address for each of the Directors and executive officers of the Company is c/o Sleep Number Corporation, 1001 Third Avenue South, Minneapolis, Minnesota 55404.

<sup>(2)</sup> The shares shown include the following shares that Directors and executive officers have the right to acquire within 60 days through the exercise of stock options: Ms. Barra, 44,596; Mr. Eyer, 4,285; Mr. Hellfeld, 41,305; Ms. Howard, 5,830; Ms. Ibach, 394,425; Ms. Kilpatrick, 9,860; Mr. Krusmark, 21,370; Ms. Lauderback, 15,477; Mr. Macadam, 2,373; Mr. Mendez, 4,285; and Ms. Schneider, 2,373.

<sup>(3)</sup> The shares shown include the following shares that executive officers have the right to acquire within 60 days through the vesting of restricted stock units: Ms. Barra, 18,806; Ms. Findley, 181,029; Mr. Hellfeld, 17,199; and Mr. Krusmark, 10,343.

<sup>(4)</sup> The 2020 Plan permits non-employee Directors to receive Director fees in the form of common stock in lieu of cash and to defer receipt of such shares. In addition, the 2020 Plan permits non-employee Directors to defer receipt of shares of the Company's common stock under an Incentive Award granted under the 2020 Plan (referred to as Restricted Stock Units or RSUs). The Directors are entitled to the deferred shares and fully-vested RSUs until the earlier of an elected date or separation of service from the Company. Mr. Eyer's amount includes 12,672 RSUs that were deferred. Ms. Kilpatrick's amount includes 616 shares that were deferred in lieu of Director fees and 2,728 RSUs that were deferred. Ms. Lauderback's amount includes 9,236 RSUs that were deferred. Ms. Howard's amount includes 12,233 shares that were deferred in lieu of Director fees and 12,737 RSUs that were deferred. Mr. Macadam's amount includes 6,079 shares that were deferred in lieu of Director fees and 5,457 RSUs that were deferred. Mr. Mendez's amount includes 9,652 RSUs that were deferred. In fiscal year 2025, non-employee Directors are not entitled to receive Director fees in the form of common stock in lieu of cash.

<sup>(5)</sup> Included in this line are current Directors and executive officers as of February 28, 2026. Includes an aggregate of 147,036 shares that current Directors and executive officers as a group have the right to acquire within 60 days through the exercise of stock options. Includes an aggregate of 239,219 shares that Directors and executive officers as a group have the right to acquire within 60 days through the vesting of restricted stock units. Also includes 18,927 shares that were deferred by non-employee Directors in lieu of Director fees and 43,246 stock units that were deferred by non-employee Directors.

<sup>(6)</sup> Stadium Capital Management LLC reported in a Schedule 13D/A filed with the Securities and Exchange Commission on August 6, 2025 that as of August 6, 2025 it beneficially owned 2,616,459 shares of Common Stock of Sleep Number Corporation, and had shared power to vote or to direct the vote and shared dispositive power with respect to 2,616,459 shares.

<sup>(7)</sup> M Partners Fund LP reported in a Schedule 13G/A filed with the Securities and Exchange Commission on August 14, 2025 that as of June 30, 2025 it beneficially owned 2,263,729 shares of Common Stock of Sleep Number Corporation, and had shared power to vote or to direct the vote and shared dispositive power with respect to 2,263,729 shares.

<sup>(8)</sup> FMR LLC reported in a Schedule 13G filed with the Securities and Exchange Commission on February 5, 2026 that as of December 31, 2025 it beneficially owned 2,129,876 shares of Common Stock of Sleep Number Corporation, had sole power to vote or to direct the vote with respect to 2,125,213 shares and sole dispositive power with respect to 2,219,876 shares.

<sup>(9)</sup> BlackRock, Inc. reported in a Schedule 13G/A filed with the Securities and Exchange Commission on October 17, 2025 that as of September 30, 2025 it beneficially owned 1,455,050 shares of Common Stock of Sleep Number Corporation, had sole power to vote or to direct the vote with respect to 1,417,441 shares and sole dispositive power with respect to 1,455,050 shares.

<sup>(10)</sup> The Vanguard Group, Inc. reported in a Schedule 13G/A filed with the Securities and Exchange Commission on January 10, 2024 that as of December 29, 2023 it beneficially owned 1,246,460 shares of Common Stock of Sleep Number Corporation, had no sole power to vote or to direct the vote with respect to any shares, shared power to vote or to direct the vote with respect to 27,467 shares, shared dispositive power with respect to 49,348 shares and sole dispositive power with respect to 1,197,112 shares.

<sup>(11)</sup> Pacific Ridge Capital Partners, LLC reported in a Schedule 13G filed with the Securities and Exchange Commission on February 6, 2026 that as of December 31, 2025 it beneficially owned 1,145,612 shares of Common Stock of Sleep Number Corporation, had sole power to vote or to direct the vote with respect to 704,330 shares and sole dispositive power with respect to 1,145,612 shares.

## SHAREHOLDER PROPOSALS FOR 2027 ANNUAL MEETING

Any shareholder proposal requested to be included in the proxy materials for the 2027 Annual Meeting must (a) be received by our Chief Legal and Risk Officer and Secretary on or before December 9, 2026, and (b) satisfy all of the requirements of, and not otherwise be permitted to be excluded under, Rule 14a-8 promulgated by the SEC and our Bylaws. In addition, shareholders who intend to solicit proxies in support of director nominees other than the Company's nominees must also comply with the additional requirements the universal proxy rules that sets forth the information required in Rule 14a-19(b) under the Exchange Act no later than March 22, 2027.

Our Bylaws require advance written notice to our Company of shareholder-proposed business or of a shareholder's intention to make a nomination for Director at an Annual Meeting. They also limit the business which may be conducted at any special meeting of shareholders to business brought by the Board.

Specifically, the Bylaws provide that business may be brought before an Annual Meeting by a shareholder only if the shareholder provides written notice to the Secretary of our Company not less than 120 days prior to the first anniversary of the date that we first released or mailed our proxy materials to shareholders in connection with the preceding year's Annual Meeting. Under these provisions, notice of a shareholder proposal to be presented at the 2027 Annual Meeting (but that is not requested to be included in the proxy materials) must be provided to the Secretary of our Company on or before December 9, 2026. In the event, however, that the date of the Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary of the preceding year's Annual Meeting date, notice by the shareholder to be timely must be so delivered not later than the close of business on the later of the 120th day prior to such Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

A shareholder's notice must set forth:

- A description of the proposed business and the reasons for it;
- The name and address of the shareholder making the proposal;
- The class and number of shares of common stock owned by the shareholder; and
- A description of any material interest of the shareholder in the proposed business.

Our Bylaws also provide that a shareholder may nominate a Director at an Annual Meeting only after providing advance written notice to the Secretary of our Company within the time limits described above. The shareholder's notice must set forth all information about each nominee that would be required under SEC rules in a proxy statement soliciting proxies for the election of such nominee, as well as the nominee's business and residence address. The notice must also set forth the name and record address of the shareholder making the nomination and the class and number of shares of common stock owned by that shareholder.

Shareholders wishing to nominate director candidates must submit a written request with related and required information to our corporate Secretary in accordance with the terms of our Bylaws at least 120 days prior to the first anniversary of the date that the Company first released or mailed its proxy materials to shareholders in connection with the preceding year's regular or Annual Meeting. The CGNC will review and evaluate these candidates in the same manner as other nominations.

The shareholder's notice must include, for each director nominee: (a) the name, age, business address and residence address of the nominee, (b) the principal occupation or employment of the nominee, (c) the class and number of shares of capital stock of the Company that are beneficially owned by the nominee and (d) any other information concerning the nominee that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of such nominee. The shareholder's notice must also include: (a) the name and address of the nominating shareholder, as they appear on the Company's books and (b) the class and number of shares of the Company that are owned beneficially and of record by the shareholder. The shareholder's notice must also be accompanied by the proposed nominee's signed consent to serve as a Director of the Company.

# OUR ANNUAL MEETING AND VOTING

## FREQUENTLY ASKED QUESTIONS ABOUT THE MEETING AND VOTING

### When is the Annual Meeting?

The Annual Meeting will be held at 8:30 a.m. Central Time on May 21, 2026.

If we determine to make any change to the date, time or procedures of our Annual Meeting, we will announce such changes in advance on our website <http://ir.sleepnumber.com> and file with the Securities and Exchange Commission as additional proxy materials.

### How can shareholders attend?

The meeting will be conducted as a virtual meeting via the internet. Shareholders may participate in the meeting and submit questions electronically during the meeting via live webcast by visiting the virtual meeting platform at [www.virtualshareholdermeeting.com/SNBR2026](http://www.virtualshareholdermeeting.com/SNBR2026). Shareholders must enter the 16-digit control number included in Notice of Internet Availability of Proxy Materials, on the proxy card or in the instructions that accompanied the proxy materials to enter the Annual Meeting. Shareholders may log into the virtual meeting platform beginning at 8:15 a.m. Central Time on May 21, 2026.

The virtual meeting platform is fully supported across browsers (Internet Explorer, Firefox, Chrome and Safari) and devices (desktops, laptops, tablets and cell phones) running the most updated version of applicable software and plugins. Participants should confirm that they have a strong Internet connection and log in early to ensure that they can hear streaming audio prior to the start of the meeting. If you encounter any technical difficulties, please call the technical support number that will be posted on the virtual meeting platform log-in page.

If you wish to submit a question, you may do so during the meeting. Detailed guidelines for submitting written questions during the meeting will be available at [www.virtualshareholdermeeting.com/SNBR2026](http://www.virtualshareholdermeeting.com/SNBR2026). Questions pertinent to meeting matters will be recognized and answered during the meeting, subject to time constraints. We reserve the right to edit or reject questions that are profane or otherwise inappropriate. Appropriate questions pertinent to meeting matters that cannot be answered during the meeting due to time constraints will be posted and answered online at <http://ir.sleepnumber.com> and be available as soon as practical after the meeting. The information contained in or connected to our website is not incorporated by reference into, or considered a part of, this Proxy Statement.

### What is up for shareholder vote?

There are seven proposals up for shareholder vote:

- **Proposal 1:** Elect three persons to serve as Directors for three-year terms;
- **Proposal 2:** Approve amendments to our Articles and Bylaws to **declassify the Board**;
- **Proposal 3:** Approve an amendment to our Articles to eliminate the supermajority voting requirement in Article XIV related to our Directors;
- **Proposal 4:** Approve an amendment to our Articles to eliminate the supermajority voting requirements in Article XV related to approval of certain transactions;
- **Proposal 5:** Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2026 fiscal year ending January 2, 2027;
- **Proposal 6:** Cast an advisory vote to approve executive compensation (Say on Pay); and

- **Proposal 7:** Approve the amendment to the Sleep Number Corporation 2020 Equity Incentive Plan, as amended, (2020 Plan) to increase the number of shares reserved for issuance by 750,000 shares.

### What are the voting choices?

For Proposal 1 (the election of Directors) you may vote in favor of up to three nominees. You may mark instructions with respect to any or all of the nominees, but you should mark a vote “**For**” only three nominees in total. If you vote for more than three nominees, your votes on Proposal 1 will be invalid and will not be counted. You are permitted to vote for fewer than three nominees.

For each of Proposal 2 (approve amendments to our Articles and Bylaws to declassify the Board); Proposal 3 (approve an amendment to our Articles to eliminate the supermajority voting requirement in Article XIV); Proposal 4 (approve an amendment to our Articles to eliminate the supermajority voting requirements in Article XV); Proposal 5 (ratify the appointment of independent auditors); Proposal 6 (advisory vote to approve executive compensation (Say on Pay)); and Proposal 7 (approve the amendment to the 2020 Plan) you may:

- Vote in favor of the proposal;
- Vote against the proposal; or
- Abstain from voting on the proposal.

### How does the Board recommend that shareholders vote?

Sleep Number’s Board unanimously recommends that shareholders vote as follows:

- **Proposal 1:** “**For**” the election of each of the nominees for Director nominated herein by the Board of Sleep Number.
- **Proposal 2:** “**For**” amendments to our Articles and our Bylaws to declassify the Board.
- **Proposal 3:** “**For**” an amendment to our Articles to eliminate the supermajority voting requirement in Article XIV related to our Directors.
- **Proposal 4:** “**For**” an amendment to our Articles to eliminate the supermajority voting requirements in Article XV related to certain transactions.
- **Proposal 5:** “**For**” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 2, 2027.
- **Proposal 6:** “**For**” the advisory vote to approve executive compensation (Say on Pay).
- **Proposal 7:** “**For**” the amendment to the 2020 Plan to increase the number of shares reserved for issuance by 750,000 shares.

If you are a Shareholder of Record, as defined below, and grant a proxy by telephone or Internet without voting instructions, or sign and submit your proxy card without voting instructions, your shares will be voted “**For**” each Director nominee and “**For**” each of the other proposals outlined above in accordance with the recommendations of the Board.

### Who is eligible to vote?

Shareholders of record at the close of business on March 23, 2026 (the Record Date) are entitled to vote at the meeting. As of the Record Date, there were 23,041,012 shares of common stock outstanding. Each share is entitled to one vote on each matter to be voted on at the Annual Meeting. Shareholders do not have cumulative voting rights.

### What is the difference between “Shareholders of Record” and “Beneficial Owners”?

If your shares are registered in your name in the records maintained by our stock transfer agent, you are a “Shareholder of Record.” If you are a Shareholder of Record, notice of the meeting was sent directly to you.

If your shares are held in the name of your bank, broker, nominee or other holder of record, your shares are held in “street name” and you are considered the “Beneficial Owner.” Notice of the meeting has been forwarded to you by your bank, broker, nominee or other holder of record, who is considered, with respect to those shares, the Shareholder of Record. As the Beneficial Owner, you have the right to direct your bank, broker, nominee or other holder of record how to vote your shares by using the voting instructions you received.

### **What constitutes a “quorum,” or how many shares are required to be present to conduct business at the Annual Meeting?**

The presence, directly or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote (i.e., at least 11,520,507 shares) will constitute a quorum for the transaction of business at the Annual Meeting. In general, shares of common stock represented by a properly signed and returned proxy card or properly voted by telephone or via the Internet will be counted as shares represented and entitled to vote at the Annual Meeting for purposes of determining a quorum, without regard to whether the card reflects abstentions and withhold votes (or is left blank) or reflects a “broker non-vote” on a matter.

### **How do shareholders vote their shares?**

If you are a *Shareholder of Record* as of the Record Date, you can vote your shares in any of the following ways:

- Over the *telephone* by calling the toll-free number on the proxy card,
- Over the *Internet* by following the instructions on the proxy card,
- Through the *mail* – if you received a paper copy of the Proxy Statement, you may vote by mail by signing, dating and mailing your proxy card in the envelope provided to be received no later than May 19, 2026 or
- Over the Internet during the 2026 Annual Meeting by going to [www.virtualshareholdermeeting.com/SNBR2026](http://www.virtualshareholdermeeting.com/SNBR2026) and using your 16-digit control number (included on Notice of Internet Availability of Proxy Materials, on your proxy card or in the instructions that accompanied your proxy materials).

Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote your shares in time for our May 21, 2026 meeting date.

### How Beneficial Owners vote

If you are a Beneficial Owner of shares held in “street name,” such as through a bank, broker, nominee or other holder of record, you generally cannot vote your shares directly and must instead vote your shares in the manner prescribed by your bank, broker, nominee or other holder of record. Your bank, broker, nominee or other holder of record has provided notice by email or a printed voting instruction card for you to use in directing the bank, broker, nominee or other holder of record how to vote your shares. Telephone and Internet voting are also encouraged for Beneficial Owners who hold their shares in street name.

### **What is a Broker Non-Vote?**

If a Beneficial Owner does not provide timely instructions, the broker will not have the authority to vote on any non-routine proposals at the Annual Meeting, which includes Proposals 1, 2, 3, 4, 6 and 7. Brokers will have discretionary authority to vote on Proposal 5 because the ratification of the appointment of independent auditors is considered a routine matter. If the broker votes on Proposal 5 but does not vote on another proposal because the broker does not have discretionary voting authority and has not received instructions from the Beneficial Owner, this results in a “broker non-vote” with respect to such other proposal(s) and has the effect on each proposal as is set forth in the below table.

## What is the vote required to approve each proposal?

The below table summarizes each of the proposals, votes required, and the effects of: votes withheld, abstentions and broker non-votes.

Proposal	Votes Required	Effect of Votes Withheld / Abstentions	Effect of Broker Non-Votes
<b>Proposal 1:</b> Election of Directors	For uncontested elections, affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote in person or by proxy on such action.	In this contested election, votes withheld will have no effect.	Broker non-votes will have no effect.
<b>Proposal 2:</b> Amendments of our Articles and Bylaws to Declassify the Board	Affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the Annual Meeting.	Abstentions will have the effect of a vote against the proposal.	Broker non-votes will have the effect of a vote against the proposal.
<b>Proposal 3:</b> Amendment to our Articles to Eliminate the Supermajority Voting Requirements in Article XIV	Affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the Annual Meeting.	Abstentions will have the effect of a vote against the proposal.	Broker non-votes will have the effect of a vote against the proposal.
<b>Proposal 4:</b> Amendment to our Articles to Eliminate the Supermajority Voting Requirements in Article XIV	Affirmative vote of two-thirds of the shares of common stock outstanding as of the Record Date for the Annual Meeting.	Abstentions will have the effect of a vote against the proposal.	Broker non-votes will have the effect of a vote against the proposal.
<b>Proposal 5:</b> Ratification of Appointment of Independent Auditors <sup>(1)</sup>	Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote in person or by proxy on such action.	Abstentions will have the effect of a vote against the proposal.	We do not expect any broker non-votes on this proposal.
<b>Proposal 6:</b> Advisory Vote to Approve Executive Compensation <sup>(1)</sup>	Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote in person or by proxy on such action.	Abstentions will have the effect of a vote against the proposal.	Broker non-votes will have no effect.
<b>Proposal 7:</b> Amendment to the 2020 Plan	Affirmative vote of the holders of a majority of the shares of common stock represented and entitled to vote in person or by proxy on such action.	Abstention will have the effect of a vote against the proposal.	Broker non-votes will have no effect.

<sup>(1)</sup> These proposals are an “advisory” vote, meaning that the shareholder votes on this item are for purposes of enabling shareholders to express their point of view or preference on the proposal, but are not binding on the Company or the Board and do not require the Company or the Board to take any particular action in response to the shareholder vote. The Board intends to consider fully the votes of our shareholders in the context of any further action with respect to these proposals.

## How to Revoke a Proxy or Change a Vote

Any shareholder giving a proxy may revoke it at any time prior to its use at the Annual Meeting by:

- Delivering written notice of revocation to the corporate Secretary before 6:00 p.m., Eastern Daylight Time, on May 19, 2026;
- Submitting to the corporate Secretary before 6:00 p.m., Eastern Daylight Time, on May 19, 2026, a properly signed proxy card bearing a later date than the prior proxy card;
- Voting again by Internet or telephone before 11:59 p.m., Eastern Daylight Time, on May 20, 2026; or

- Participating in the Annual Meeting and voting your shares electronically during the Annual Meeting. Participation in the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request.

## **OTHER MATTERS**

Management of our Company does not intend to present other items of business and knows of no items of business that are likely to be brought before the Annual Meeting except those described in this Proxy Statement. However, if any other matters should properly come before the Annual Meeting, the persons named in the enclosed proxy will have discretionary authority to vote such proxy in accordance with the best judgment on such matters.

### **What does it mean if I receive more than one proxy card or Shareholder Notice?**

You will receive multiple proxy cards if you hold your shares of common stock in different ways (e.g., different names, trusts, custodial accounts, joint tenancy) or in multiple accounts. If your shares of common stock are held by a broker, bank or other nominee (i.e., in “street name”), you will receive a voting instruction form directly from your broker, bank or other nominee. It is important that you complete, sign and date each proxy card or voting instruction form you receive, or by using the Internet as described in the instructions included herein and on your proxy card(s).

### **Householding Information**

“Householding” is a program, approved by the SEC, which allows companies and intermediaries (e.g., banks and brokers or other nominees) to satisfy the delivery requirements for proxy statements and annual reports by delivering only one package of shareholder proxy material to any household at which two or more shareholders reside. If you and other residents at your mailing address own shares of our common stock in a “street name,” your broker or bank may have notified you that your household will receive only one copy of our proxy materials. Once you have received notice from your broker that they will be “householding” materials to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. Any shareholder who is receiving multiple copies of these documents and would like to receive only one copy per household should contact the shareholder’s bank, broker or other nominee record holder. If you hold shares of our common stock in your own name as a holder of record, “householding” will not apply to your shares.

We will promptly deliver an additional copy of any of these documents to you if you call us at (763) 551-7498, email us at [investorrelations@sleepnumber.com](mailto:investorrelations@sleepnumber.com), or write us at the following address: Sleep Number Corporation, Investor Relations Department, 1001 Third Avenue South, Minneapolis, Minnesota 55404.

## **COPIES OF 2025 ANNUAL REPORT**

We will furnish to our shareholders without charge a copy of our Annual Report on Form 10-K (without exhibits) for the 2025 fiscal year ended January 3, 2026. Any request for an Annual Report should be sent to:

**Sleep Number Corporation**  
Investor Relations Department  
1001 Third Avenue South  
Minneapolis, Minnesota 55404

## HOW TO RECEIVE PROXY MATERIALS

We furnish proxy materials to our shareholders primarily via the Internet. On or about April 8, 2026, we will begin mailing to certain of our shareholders a Notice of Internet Availability of Proxy Materials (the Shareholder Notice), which includes instructions on: (a) how to access our Proxy Statement and Annual Report on the Internet, (b) how to request that a printed copy of these proxy materials be forwarded to you and (c) how to vote your shares. If you receive the Shareholder Notice, you will not receive a printed copy of the proxy materials unless you request a printed copy by following the instructions in the Shareholder Notice. All other shareholders will be sent the proxy materials by mail beginning on or about April 8, 2026.

Requests for printed copies of the proxy materials can be made by Internet at [www.proxyvote.com](http://www.proxyvote.com), by telephone at 1-800-579-1639 or by email at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com) by sending a blank email with your control number in the subject line. The Proxy Statement and Annual Report for the year ended January 3, 2026, and related materials are available at <http://ir.sleepnumber.com>. The information contained in or connected to our website is not incorporated by reference into, or considered a part of, this Proxy Statement.

## HOW TO RECEIVE FUTURE PROXY MATERIALS ELECTRONICALLY

Shareholders of Record who received a paper copy of the proxy materials may elect to receive future Proxy Statements and Annual Reports online as described in the next paragraph. Shareholders electing this feature will receive an email message notification when the materials are available, along with a web address for viewing the materials. No action is necessary to continue receiving proxy materials electronically in the future.

Whether you are a Shareholder of Record or a Beneficial Owner holding shares through a bank or broker, you can enroll for future electronic delivery of Proxy Statements and Annual Reports by following these steps:

- Go to our website at [www.sleepnumber.com](http://www.sleepnumber.com);
- In the **Investors** section, click on **Resources** and then **Electronic Fulfillment**;
- Click on the check-marked box next to the statement “**Shareholders can register for electronic delivery of proxy-related materials**”; and
- Follow the prompts to submit your request to receive proxy materials electronically.

You may view this year’s proxy materials at [www.proxyvote.com](http://www.proxyvote.com). Generally, banks and brokers offering this choice require that shareholders vote through the Internet in order to enroll. Beneficial Owners whose bank or broker is not included in this website are encouraged to contact their bank or broker and ask about the availability of electronic delivery. As is customary with Internet usage, the user must pay all access fees.

There is no cost to you for electronic delivery of Annual Meeting materials. You may incur the usual expenses associated with Internet access as charged by your Internet service provider. Electronic delivery enables quicker delivery, allows you to view or print the materials at your computer and makes it convenient to vote your shares online. Electronic delivery also conserves natural resources and saves the Company printing, postage and processing costs.

## THE COMPANY BEARS THE PROXY SOLICITATION COSTS

The proxies being solicited hereby are being solicited by the Board. The cost of preparing and mailing the notice of Annual Meeting, this Proxy Statement and the accompanying proxy and the cost of solicitation of proxies on behalf of the Board will be borne by the Company. The Company may solicit proxies by mail, Internet (including by email, social media, the

use of our Investor Relations website and other online channels of communication), telephone and other electronic channels of communication, town hall meetings, personal interviews, press releases and press interviews. Our Directors, officers and regular team members may, without compensation other than their regular compensation and the reimbursement of expenses, solicit proxies by telephone or personal conversation. In addition, we may reimburse brokerage firms and others for their reasonable and documented expenses incurred in connection with forwarding proxy materials to the Beneficial Owners of our common stock.

### **DELINQUENT SECTION 16(a) REPORTS**

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and officers and all persons who beneficially own more than 10% of the outstanding shares of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Section 16(a) officers, directors and greater than 10% beneficial owners are also required to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of Section 16 reports filed electronically with the SEC and written representations from certain reporting persons, we believe that all forms required to be filed by such persons under Section 16(a) were filed on a timely basis, with the exception of two Form 3 filings, one reporting the initial statement of beneficial ownership for Tanya C. Skogerboe and the other for Hitesh Patel, in each case filed thirteen days late as a result of delays in procuring SEC EDGAR filing codes.

### **INCORPORATION BY REFERENCE**

In accordance with SEC rules, notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate this Proxy Statement or future filings made by the Company under those statutes, the information included under the section entitled “Compensation Committee Report” and those portions of the information included under the section entitled “Audit Committee Report” required by the SEC’s rules to be included therein, shall not be deemed to be “soliciting material” nor shall the information included under the section entitled “Compensation Committee Report,” or those portions of the information included under the section entitled “Audit Committee Report” required by the SEC’s rules to be included therein, be “filed” with the SEC or, along with the information included under the section entitled “Pay Versus Performance,” be deemed incorporated by reference into any of those prior filings or into any future filings made by the Company under those statutes, except to the extent we specifically incorporate these items by reference.

Web links throughout this document are provided for convenience only, and the content on the referenced websites does not constitute a part of this Proxy Statement.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please vote your shares of common stock “**For**” the Board’s nominees and “**For**” each of Proposals 2, 3, 4, 5, 6, and 7 promptly by mail, telephone or Internet as instructed on your proxy card.

By Order of the Board of Directors



Samuel R. Hellfeld  
*Chief Legal and Risk Officer and Secretary*

April 8, 2026  
Minneapolis, Minnesota

**PROPOSED AMENDMENTS TO OUR ARTICLES AND OUR BYLAWS TO DECLASSIFY THE BOARD**

The following are proposed changes to our Third Restated Articles of Incorporation, as amended, and to our Restated Bylaws to declassify our Board of Directors as described in Proposal 2 (new text appears in blue underline and deleted text appears in ~~red strikethrough~~).

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**ARTICLES OF AMENDMENT TO  
THIRD RESTATED ARTICLES OF INCORPORATION OF  
SLEEP NUMBER CORPORATION**

The undersigned, Samuel R. Hellfeld, being the Secretary of Sleep Number Corporation (the "Corporation"), a corporation organized under and subject to the provisions of Minnesota Statutes, Chapter 302A, does hereby certify that pursuant to actions duly taken by the Board of Directors and shareholders of the Corporation, a resolution was adopted that the first three sentences of Article XIV of the Third Restated Articles of Incorporation of the Corporation, as amended, and be amended and restated in their entirety as follows:

**ARTICLE XIV**

The number of directors which shall constitute the entire Board of Directors shall not be less than one (1) nor more than twelve (12), which number shall be determined from time to time by the Board of Directors. ~~The Directors shall be divided into three (3) classes, as nearly equal in number as possible. The term of office of the first class shall expire at the 1999 annual meeting of the shareholders of the Corporation; the term of office of the second class shall expire at the 2000 annual meeting of the shareholders of the Corporation; and the term of office of the third class shall expire at the 2001 annual meeting of the shareholders of the Corporation. At each annual meeting of the shareholders after such classification, the number of directors equal to the number of the class whose term expires on the day of such meeting shall be elected for a term of three (3) years. Commencing with the election of directors at the annual meeting of shareholders to be held in 2027, all directors shall be elected for a one year term expiring at the next annual meeting of shareholders and the prior classification of the Board of Directors shall terminate.~~ Directors shall hold office until expiration of the terms for which they were elected and qualified; provided, however, that a director may be removed from office as a director at any time by the shareholders, but only for cause, and only by the affirmative vote of a majority of the outstanding voting power entitled to elect such director. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, increase in the number of directors or otherwise, a majority of the remaining directors, although less than a quorum, at a meeting called for that purpose, may choose a successor, who, unless removed for cause as set forth above, shall hold office until the expiration of the term of the class for which appointed or until a successor shall be elected and qualified. This Article XIV may not be altered, amended or repealed, in whole or in part, unless authorized by the affirmative vote of the holders of not less than two-thirds of the outstanding voting power entitled to vote.

\*\*\*\*\*

## AMENDMENT TO RESTATED BYLAWS OF SLEEP NUMBER CORPORATION

The undersigned, Samuel R. Hellfeld, being the Secretary of Sleep Number Corporation (the "Corporation"), a corporation organized under and subject to the provisions of Minnesota Statutes, Chapter 302A, does hereby certify that pursuant to actions duly taken by the Board of Directors and shareholders of the Corporation, a resolution was adopted that Article III, Section 2 of the Restated Bylaws of the Corporation be amended and restated in its entirety as follows:

### ARTICLE III Board of Directors

\*\*\*\*\*

Section 2. Number and Term of Office. The number of directors which shall constitute the entire Board of Directors shall not be less than one (1) nor more than twelve (12), which number shall be determined from time to time by the Board of Directors. ~~The Directors shall be divided into three (3) classes, as nearly equal in number as possible. The term of office of the first class shall expire at the 1999 annual meeting of the shareholders of the Corporation; the term of office of the second class shall expire at the 2000 annual meeting of the shareholders of the Corporation; and the term of office of the third class shall expire at the 2001 annual meeting of the shareholders of the Corporation. At each annual meeting of the shareholders after such classification, the number of directors equal to the number of the class whose term expires on the day of such meeting shall be elected for a term of three (3) years. Commencing with the election of directors at the annual meeting of shareholders to be held in 2027, all directors shall be elected for a one year term expiring at the next annual meeting of shareholders and the prior classification of the Board of Directors shall terminate. Directors shall hold office until expiration of the terms for which they were elected and qualified.~~

**PROPOSED AMENDMENT TO OUR THIRD RESTATED ARTICLES OF INCORPORATION, AS AMENDED, TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENT IN ARTICLE XIV RELATED TO OUR DIRECTORS**

The following are proposed changes to our Third Restated Articles of Incorporation, as amended, to eliminate the supermajority voting requirement in Article XIV related to our Directors as described in Proposal 3 (new text appears in blue underline and deleted text appears in ~~red strikethrough~~).

\*\*\*\*\*

**ARTICLES OF AMENDMENT TO  
THIRD RESTATED ARTICLES OF INCORPORATION OF  
SLEEP NUMBER CORPORATION**

The undersigned, Samuel R. Hellfeld, being the Secretary of Sleep Number Corporation (the "Corporation"), a corporation organized under and subject to the provisions of Minnesota Statutes, Chapter 302A, does hereby certify that pursuant to actions duly taken by the Board of Directors and shareholders of the Corporation, a resolution was adopted that the last sentence of Article XIV of the Third Restated Articles of Incorporation of the Corporation, as amended, be amended and restated in its entirety as follows:

**ARTICLE XIV**

The number of directors which shall constitute the entire Board of Directors shall not be less than one (1) nor more than twelve (12), which number shall be determined from time to time by the Board of Directors. The Directors shall be divided into three (3) classes, as nearly equal in number as possible. The term of office of the first class shall expire at the 1999 annual meeting of the shareholders of the Corporation; the term of office of the second class shall expire at the 2000 annual meeting of the shareholders of the Corporation; and the term of office of the third class shall expire at the 2001 annual meeting of the shareholders of the Corporation. At each annual meeting of the shareholders after such classification, the number of directors equal to the number of the class whose term expires on the day of such meeting shall be elected for a term of three (3) years. Directors shall hold office until expiration of the terms for which they were elected and qualified; provided, however, that a director may be removed from office as a director at any time by the shareholders, but only for cause, and only by the affirmative vote of a majority of the outstanding voting power entitled to elect such director. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, increase in the number of directors or otherwise, a majority of the remaining directors, although less than a quorum, at a meeting called for that purpose, may choose as successor, who, unless removed for cause as set forth above, shall hold office until the expiration of the term of the class for which appointed or until a successor shall be elected and qualified. This Article XIV may not be altered, amended or repealed, in whole or in part, unless authorized by the affirmative vote of the holders of ~~not less than two-thirds~~ a majority of the outstanding voting power entitled to vote.

**AMENDMENT TO OUR THIRD RESTATED ARTICLES OF INCORPORATION, AS AMENDED, TO ELIMINATE THE  
SUPERMAJORITY VOTING REQUIREMENTS IN ARTICLE XV  
RELATED TO APPROVAL OF CERTAIN TRANSACTIONS**

The following are proposed changes to our Third Restated Articles of Incorporation, as amended, to eliminate the supermajority voting requirements in Article XV related to certain transactions as described in Proposal 4 (new text appears in blue underline and deleted text appears in ~~red-strikethrough~~).

\*\*\*\*\*

**ARTICLES OF AMENDMENT TO  
THIRD RESTATED ARTICLES OF INCORPORATION OF  
SLEEP NUMBER CORPORATION**

The undersigned, Samuel R. Hellfeld, being the Secretary of Sleep Number Corporation (the "Corporation"), a corporation organized under and subject to the provisions of Minnesota Statutes, Chapter 302A, does hereby certify that pursuant to actions duly taken by the Board of Directors and shareholders of the Corporation, a resolution was adopted that Article XV of the Third Restated Articles of Incorporation of the Corporation, as amended, and be amended and restated in its entirety as follows:

**ARTICLE XV**

The affirmative vote of the holders of ~~not less than two-thirds~~ a majority of the outstanding voting power of the corporation entitled to vote for approval shall be required if (a) this Corporation merges or consolidates with any other corporation, or if (b) this Corporation sells or exchanges all or a substantial part of its assets to or with any other corporation, or if (c) this Corporation issues or delivers any stock or other securities of its issue in exchange or payment for any properties or assets of any other corporation, or securities issued by any other corporation, or in a merger of any subsidiary of this Corporation (80% or more of the common stock of which is held by this Corporation) with or into any other corporation; provided, however, that the foregoing shall not apply to any plan of merger or consolidation, or sale or exchange of assets, or issuance or delivery of stock or other securities which was approved (or adopted) and recommended without condition by the affirmative vote of not less than two-thirds of the directors, nor shall it apply to any such transaction solely between this Corporation and another corporation 50% or more of the voting stock of which is owned, directly or indirectly, by this Corporation. The Board of Directors shall be permitted to condition its approval (or adoption) of any plan of merger or exchange of assets, or issuance or delivery of stock or securities upon the approval of holders of ~~two-thirds~~ a majority of the outstanding stock of this Corporation entitled to vote on such plan of merger or consolidation, or sale or exchange of assets, or issuance or delivery of stock or securities. This Article XV may not be altered, amended or repealed, in whole or in part, unless authorized by the affirmative vote of the holders of ~~not less than two-thirds~~ a majority of the outstanding voting power entitled to vote.

**AMENDMENT NO. 3 TO THE  
SLEEP NUMBER CORPORATION 2020 EQUITY INCENTIVE PLAN**

This Amendment No. 3 (this “Amendment”) to the Sleep Number Corporation 2020 Equity Incentive Plan (as amended, the “Plan”) made and adopted by Sleep Number Corporation (the “Company”) effective as of \_\_\_\_\_, 2026, the date it was approved by the Company’s shareholders. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

WHEREAS, the Company maintains the Plan.

WHEREAS, pursuant to Section 19.1 of the Plan, the Management Development and Compensation Committee, at any time and from time to time, may amend the Plan.

WHEREAS, pursuant to Section 19.2 of the Plan, no amendments to the Plan will be effective without approval of the Company’s shareholders if, among other things, such amendment would, subject to Section 4.5 of the Plan, increase the aggregate number of shares of Common Stock issued or issuable under the Plan.

WHEREAS, the Management Development and Compensation Committee approved this Amendment on March 11, 2026, subject to the approval of the Company’s shareholders, to increase the number of shares of Common Stock reserved for issuance under the Plan by 750,000 shares, as set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the Plan is hereby amended as follows:

1. Section 4.1 of the Plan is hereby amended and restated in its entirety to read as follows:

4.1 Maximum Number of Shares Available. Subject to adjustment as provided in Section 4.5 of this Plan, the maximum number of shares of Common Stock that will be available for issuance under this Plan will be 5,990,000 shares less one share for every share subject to an Award granted under the Prior Plan after December 28, 2019. Upon effectiveness of this Plan, no further awards will be granted under the Prior Plan.

2. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.
3. Except as expressly provided herein, all other terms and provisions of the Plan shall remain unchanged and in full force and effect.

## ANNEX A - RECONCILIATIONS OF GAAP AND NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures provide investors with additional meaningful financial information that should be considered when assessing the Company's underlying business performance and trends. Management also uses these non-GAAP financial measures in evaluating the Company's performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's results prepared in accordance with GAAP.

The following table summarizes the Company's non-GAAP operating expenses calculations (in thousands):

	Year	
	2025	2024
Operating expenses	\$ 879,543	\$ 979,901
Subtract: Restructuring costs	50,697	18,066
Subtract: Asset impairments	—	1,220
Subtract: Other non-recurring items <sup>(1)</sup>	5,134	998
Non-GAAP operating expenses	\$ 823,712	\$ 959,617
Operating expense reduction versus prior period, excluding restructuring costs and non-recurring items	\$ 135,905	

<sup>(1)</sup> Excludes inventory obsolescence write off of \$9.6 million, which is included in the cost of sales line on the Company's consolidated statement of operations.

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-K**

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**(Mark one)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended January 3, 2026**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 000-25121

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**SLEEP NUMBER CORPORATION**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1597886**

(I.R.S. Employer Identification No.)

**1001 Third Avenue South**

**Minneapolis, Minnesota**

(Address of principal executive offices)

**55404**

(Zip Code)

**Registrant's telephone number, including area code: (763) 551-7000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	SNBR	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 28, 2025, was \$131,813,000 (based on the last reported sale price of the registrant's common stock on that date as reported by Nasdaq).

As of January 31, 2026, there were 22,864,000 shares of the registrant's Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement to be furnished to shareholders in connection with its 2026 Annual Meeting of Shareholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K.

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## SLEEP NUMBER CORPORATION AND SUBSIDIARIES

Sleep Number®, SleepIQ®, Sleep Number 360®, 360®, the Double Arrow logo, Select Comfort®, AirFit®, Climate360®, ClimateCool®, Comfortaire®, DualTemp®, the DualTemp logo, the DualAir Technology Inside logo, FlexFit®, FlexTop®, HealthIQ®, IndividualFit®, Know Better Sleep®, Pillow[ology]®, PillowFit®, RespiratoryIQ®, Responsive Air®, Sleep Is Training®, Sleep Number Inner Circle®, Sleep30®, This Is Not A Bed®, We Make Beds Smart®, WhisperFlo®, Auto Snore™, BreathelQ™, BreathelQ+™, the BreathelQ logo, the BreathelQ+ logo, ComfortMode™, EnviroIQ™, HeartIQ™, Individualized Sleep Experiences™, Tri-Brid™, Smart SleeperSM, WellnessIQ™, ActiveComfort™, Clima-Temp™, ClimateSeries™, Comfort Service™, ComfortFit™, CoolFit™, Coolgenex™, Create Your Perfect Comforter™, Create Your Perfect Pillow™, Does Your Bedding Do that?™, Does Your Pillow Do That?™, DownComfort™, DualAir™, ExactFit™, Firmness Control™, FlexTop™, In Balance™, Knows You. Senses You. Adjusts to You™, Logic™ Label, LuxWarmth™, NaturalFit™, No Shift™, Partner Snore™, PlushComfort™, Relaxation™, ResponseFit™, Rest&Read™, Sleep Better Together™, Sleep Number Does That™, Smart™ Skirt, Smart Button™, SmartFit™, Smart Temp™, Smart Sleeper™, The Best Bed for Couples™, ThermaLux™, True Temp™, VariaCool™, Winter Soft™, its bed model names, and the Company's other marks and stylized logos are trademarks and/or service marks of Sleep Number. This Form 10-K may also contain trademarks, trade names and service marks that are owned by other persons or entities.

The Company's fiscal year ends on the Saturday closest to December 31, and, unless the context otherwise requires, all references to years in this Form 10-K refer to its fiscal years. The Company's fiscal year is based on a 52- or 53-week year. All years presented in this Form 10-K are 52 weeks, except for the 2025 fiscal year ended January 3, 2026, which is a 53-week year.

### Forward-looking Statements

This Annual Report on Form 10-K contains or incorporates by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in or incorporated by reference into this Annual Report on Form 10-K that are not statements of historical fact may be deemed to be forward-looking statements, including but not limited to projections of revenues, results of operations, financial condition or other financial items; management's conclusion regarding its substantial doubt about the Company's ability to continue as a going concern, and related mitigation plans; any statements of plans, strategies and objectives of management for future operations; any statements regarding proposed new products, services or developments, including potential features of Sleep Number's products that may be developed in the future; any statements regarding future economic conditions, prospects or performance; any statements regarding proposed financing, capital solutions, strategic alternatives; statements of belief and any statement or assumptions underlying any of the foregoing. In addition, the Company or others on its behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or Webcasts open to the public, in press releases or reports, on the Company's website or otherwise. The Company tries to identify forward-looking statements in this report and elsewhere by using words such as "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "plan," "project," "predict," "intend," "potential," "continue" or the negative of these or similar terms.

The forward-looking statements speak only as of the date made and by their nature involve substantial risks and uncertainties. The Company's actual results may differ materially depending on a variety of factors, including the items discussed in greater detail below under the caption "Risk Factors." These risks and uncertainties are not exclusive and further information concerning the Company and its business, including factors that potentially could materially affect its financial results or condition, may emerge from time to time, including factors that it may consider immaterial or do not anticipate at this time.

The Company wishes to caution readers not to place undue reliance on any forward-looking statement and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Sleep Number assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. The Company advises you, however, to review and consider any further disclosures it makes on related subjects in its quarterly reports on Form 10-Q and current reports on Form 8-K that it files with or furnishes to the Securities and Exchange Commission.

## PART I

### ITEM 1. BUSINESS

#### Overview

Sleep Number is the leader in personalized sleep wellness. Its mattresses are designed to evolve with each sleeper to help them feel and perform their best. With adjustable firmness, pressure-relieving support and temperature balancing comfort built into every mattress, Sleep Number beds adapt to customers' changing needs, night after night, year after year. Backed by over 40 years of innovation, over 1,000 patents and patents pending, and billions of hours of sleep data, Sleep Number has helped more than 16 million people achieve their best sleep. The fully integrated model ensures quality, durability, and care at every step—from design and craftsmanship to delivery and long-term support.

Sleep Number products are awarded the industry's top recognitions, including ranked #1 in customer satisfaction for mattresses purchased in-store and online, and #1 in comfort, by J.D. Power. In addition, the company is the Official Sleep + Wellness Partner of the NFL, marking a relationship that leverages players, team partnerships, and league-wide initiatives to amplify brand awareness and drive consumer engagement.

Sleep Number's life-changing, differentiated smart mattresses combine physical and digital innovations, integrating unparalleled physical comfort with a highly advanced sleep wellness platform. The smart beds offer the Company's signature firmness adjustability, enabling each sleeper adjustable comfort. Embedded digital sensors learn the sleep needs of each individual; "sense and do" technology uses the sensed data to automatically adjust the smart mattress to keep the sleeper comfortable throughout the night. Temperature balancing technology supports the ideal climate for each sleeper and solves a prevalent sleep challenge. Additionally, smart mattresses are an exceptional value, with personalized sleep insights delivered daily, new features regularly added to all smart mattresses through over-the-air updates and prices to meet most budgets. Sleep Number's mattresses provide unmatched features, benefits and comfort that can lead to improved sleep health and wellness for both sleepers.

The Company's advantaged business model is supported by its consumer innovation strategy: an individualized, digital sleep wellness platform, a network of millions of highly engaged Smart Sleepers who are loyal brand advocates, a vertically integrated operating model and a team member culture of individuality.

The Company's 3,100 mission-driven team members are focused on driving value creation, including our exclusive direct-to-consumer selling in 600 stores and online, which meets customers whenever and wherever they choose to provide an exceptional experience and a lifelong relationship. Additionally, the Company partners with world-leading institutions to bring the power of over 38 billion hours of longitudinal sleep data to sleep science and research.

#### Turnaround Strategy

2025 was a transformational year for Sleep Number. Under the leadership of its new CEO, Linda Findley, who joined the Company in April 2025, the business has undergone change at every level. The Company:

- Created a more streamlined operation designed to enable faster decision-making by consolidating roles across key functions and strengthening accountability;
- Reduced operating costs across the business by \$136 million as compared to 2024, excluding restructuring and other non-recurring costs;
- Added financial flexibility by extending the Credit Agreement through the end of 2027; and
- Executed the Twelfth Amendment to the Amended and Restated Credit and Security Agreement, dated as of February 14, 2018 (as amended, supplemented or otherwise modified from time to time), among U.S. Bank National Association, as Administrative Agent, Swing Line Lender and Issuing Lender, and certain other financial institutions party thereto (the "Credit Agreement") to amend financial covenants.

With a stronger foundation, in November 2025, the Company introduced its turnaround strategy “Sleep Number Shifts,” a focused, company-wide effort to reposition the brand, expand reach to new customer groups, and reignite growth. The aim is to drive value for shareholders, customers and team members with efforts rooted in the consumer through all dimensions of the business. It is centered on three key areas:

- **Product:** The Company is simplifying its offering with the goal of growing its customer base while building on the demand from repeat customers
- **Marketing:** The Company is modernizing its efforts by expanding channels and reach with new creative to better connect with today’s consumer and drive engagement with a focus on better ROI
- **Distribution:** The Company is focused on optimizing store footprint as well as exploring opportunities to expand distribution into new channels, both physical and digital.

“Sleep Number Shifts” is being implemented as the Company continues to execute cost savings and operating efficiencies, including real estate optimization and right-sizing the fixed cost base. While the Company is focused on implementing the “Sleep Number Shifts” and executing cost savings and operating efficiencies, it faces liquidity challenges. See “Risk Factors—Risks Related to Indebtedness and Liquidity.”

## Financial Highlights

Ongoing industry demand decline and the impact of lower store traffic contributed to a 16% net sales decline in 2025 for the Company. Against this recessionary backdrop, the Company continued to focus on improving gross margins and streamlining its cost structure to optimize Adjusted EBITDA and cash flow generation. For 2025, the Company had a 0.6 percentage point decrease in gross margin rate, including an inventory write-down charge offset by the benefit of product cost reductions through value engineering and ongoing supplier negotiations and ongoing efficiencies in our home delivery and logistics operations. The Company also executed an additional \$136 million of operating cost reduction actions for 2025, prior to restructuring and other non-recurring costs, bringing the cumulative operating cost reduction over the last three years to \$308 million. The Company’s net loss for 2025 was \$132 million and delivered full-year Adjusted EBITDA of \$78 million, with an Adjusted EBITDA margin of 5.5%, down 1.6 percentage points versus the prior year, largely a result of the year-over-year net sales decline. Our 2025 fiscal year included an extra week which we estimate benefited net sales by \$25 million.

See Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results from Operations - *Non-GAAP Data Reconciliations* for additional information on Adjusted EBITDA and other non-GAAP reconciliations.

## Integrated Sleep Solutions

### Smart Beds and Mattresses

With a relentless focus on the consumer, Sleep Number has continued to advance its award-winning Sleep Number® smart beds and mattresses. Enhancing its trademark comfort, adjustability and highly accurate detection of sleep and biosignal data, the smart bed has evolved into a progressive and adaptive sleep wellness technology platform.

The combination of physical and digital innovation enables the Sleep Number smart bed’s proprietary “sense and do” technology, which digitally responds to each sleeper’s movements, effortlessly adjusting firmness, comfort and support to relieve pressure points. Through the analysis of sleeper-generated sleep and biosignal data, the smart bed can deliver both real-time interventions – including automatic comfort adjustments during the night, with no action required by the sleeper – and personalized sleep insights through its accompanying app. By combining artificial intelligence (AI) and machine learning (ML) technology, which “learn” from each sleeper over time, the Sleep Number smart bed allows sleepers to understand metrics related to health and wellbeing during sleep. This data may ultimately enable the Company’s Smart Sleepers to take preventative and proactive wellness actions. Additionally, the longitudinal data generated from Sleep Number’s wellness technology platform can be shared with sleepers’ physicians through a monthly HealthIQ® report, leading to insights that may guide health-provider diagnostics.

Sleep Number’s product innovation roadmap is driven by proprietary data from its millions of Smart Sleepers and sleep science. This allows the Company to address some of the most pressing sleep health needs and differentiate itself among mattress brands as one that consumers perceive to improve their health and wellbeing.

As the Company heads into 2026, and as part of its turnaround, Sleep Number announced it is simplifying its offering with a significant product transition and the goal of growing the new customer base while building on the demand from repeat customers.

### Smart Adjustable Bases

Sleep Number's smart bed ecosystem includes a full line of exclusive FlexFit® smart adjustable bases that seamlessly integrate with Sleep Number smart beds for an individualized sleep experience that is proven to deliver more restful sleep per night. The Company's industry-leading smart bases offer endless adjustability by raising the head and feet for ultimate relaxation. Additional features include Partner Snore™ technology, which allows a sleeping partner to temporarily relieve mild snoring by raising the companion's head at the touch of a button; Foot Warming, which is designed to help an individual fall asleep faster; and under-bed lighting, for nighttime visibility.

### Sleep Number Bedding and Furniture

The exclusive Sleep Number® bedding collection and upholstered furniture line are designed to improve sleep comfort and quality, including pillows designed to fit each individual's sleeping position. The Sleep Number® Lifestyle Collection furniture enhances the sleep environment and supports the health and wellness benefits of the Sleep Number smart bed and FlexFit smart adjustable bases. The Lifestyle Collection also provides an integrated sleep experience with accessories for aging and recovery, providing comfort, aiding in mobility and helping maintain independence at home.

### Sleep Number Proprietary Ecosystem

Sleep Number builds lifelong relationships with its customers. The proprietary ecosystem of over 3 million Smart Sleepers with an average monthly engagement rate of approximately 80 percent is best-in-class for digital products. This high engagement with the Company's sleep wellness platform increases customer lifetime value and drives efficient customer acquisition through advocacy and referrals. The Company measures its repeat and referral customers, which account for over 50% of sales. The Company's innovation roadmap supports ongoing engagement initiatives within this ecosystem for future growth.

An important part of the smart bed ecosystem, the Sleep Number app, puts the "brand in the hand" of the Company's loyal Smart Sleepers every day. It enables control of the smart bed and smart adjustable base from one's mobile device. It also provides a nightly score – a SleepIQ® score – that indicates how sleepers slept against their personal best metrics and goals. Paired with personalized insights and details about each sleeper's heart rate, breath rate, heart rate variability, circadian rhythm and more, the Sleep Number app is an invaluable tool in helping Smart Sleepers better understand how to improve their sleep health and wellbeing. A monthly summary report – the HealthIQ® report – comes to the inbox of each sleeper for a monthly assessment of how they slept; this report can be downloaded to be shared with health professionals and caregivers.

## **Sales and Marketing**

### Brand Communications

Sleep Number continues to invest in its brand and demand drivers for near- and long-term performance. The mattress industry is a highly commoditized, competitive low-interest category. The Sleep Number brand strategy focuses on brand amplification to drive awareness and consumer benefits to drive consideration. The Company has several highly visible strategic partnerships; it engages consumers seamlessly across multiple touchpoints, with an emphasis on digital; and it creates lifelong customer relationships and brand advocacy by delivering an unparalleled sleep experience. Together, these actions result in strong brand health, increased brand interest, heightened consumer consideration, customer engagement and authentic advocacy for Sleep Number's brand, innovations and services.

The Company leverages a sophisticated media mix to drive its performance marketing and advertising, with emphasis on digital and aligned with consumer consumption, contributing to improved media return on investment. High-profile video, including television and online streaming, is its most efficient media, followed by digital and social platforms. Sleep Number's in-house digital capabilities, content marketing, online user experience and data-driven tools give it the flexibility to pivot quickly and optimize media investment, messages and audience by platform in real-time. The Company's

promotional strategy focuses on simplicity and relevance, driving consumers to the brand at the time when they are seeking a sleep solution.

The Company's brand marketing strategies are designed to deliver Sleep Number value messaging to a broader set of consumers. In 2025, Sleep Number reset its marketing strategy, building on top of a strong brand relevance to attract consumers from a larger addressable market. The Company is leveraging the correlation between marketing and consumer demand to deliver improvements in marketing effectiveness and return on investment at greater scale. In parallel, Sleep Number is evolving all aspects of marketing and creative work, including deploying a brand refresh focused on target segments.

The Sleep Number® Rewards loyalty program drives significant brand engagement. Since the launch of the program, the Company welcomed over 1.9 million members who participated in over 3 million engagements per year on its digital platform. The Company's most dedicated Smart Sleepers regularly interact with branded content – including video, web, email and blog content – which educates them about Sleep Number® products and sleep expertise, adding value to their investment. They actively write product reviews and post on social media, further activating the marketing flywheel and advancing the Company's purpose.

### Exclusive Direct-to-Consumer Distribution

Sleep Number's exclusive, direct-to-consumer distribution model supports lifelong relationships with its customers. Across its customer touchpoints, defined as Total Retail (Stores, Online, Phone and Chat), it delivers a value-added retail experience that seamlessly integrates Sleep Number's digital and physical experiences to meet customer needs. The Company offers an engaging and dynamic online experience to educate consumers and advance their purchase path, driving highly-qualified traffic to all of its retail touchpoints. Sleep Number's mission-driven sleep experts use digital technology and a best-in-class, relationship-based selling process, which is continually tested and refined to meet the changing consumer priorities. Processes are designed to match the right sleep solutions and right price point for its customers – wherever and whenever they want to shop. This "sell-from-anywhere" model supports customers' shopping preferences and results in new customer acquisition, sustained repeat and referral, high conversion and strong revenue per smart bed unit – all of which drive future sales and profitable growth.

As the exclusive distributor of Sleep Number® products, the Company has a nationwide portfolio of retail stores. The Company targets high-quality, convenient and visible store locations based on several factors, including each market's overall sales and profit potential, store geography, demographics and proximity to other brand experiences. Since 2010, the Company has invested to reposition a large percentage of its mall stores to stronger, optimally-sized, non-mall locations, adding stores in both existing and new markets. As of January 3, 2026, the Company operated 600 Sleep Number® stores, with locations in all 50 states.

The Company's Stores accounted for 88% of net sales in 2025. Average annual net sales per store in 2025, based on Total Retail, was \$1.9 million. In 2025, 32% of Stores open for a full year generated net sales of greater than \$2 million, and 8% of Stores open for a full year generated more than \$3 million in net sales. In 2025, Online, Phone, Chat and Other sales accounted for 12% of net sales.

## **Operations**

### Integrated Sourcing and Logistics

All of Sleep Number's smart beds and mattresses are pre-assembled in its assembly distribution centers prior to delivery. Sleep Number's network delivers improved visibility, efficiency and waste reduction. Bedding fulfillment is centralized to leverage improved logistics costs and to serve the entire United States from Ohio. Sleep Number continues to advance its outbound logistics network by evolving its mix of truckload carriers and dedicated cross docks to reduce product handling, hand-offs, damage and costs while in transit to customers' homes. This network design enables scale and provides a superior and reliable experience for customers.

In addition to a network of global suppliers, Sleep Number operates a dedicated cut and sew facility for cover production in Irmo, SC and an advanced engineering and prototyping facility in Salt Lake City, UT. Each of these facilities are combined with an assembly distribution center. There are three additional assembly distribution centers (Minneapolis, MN;

Cincinnati, OH; and Dallas, TX). The assembly distribution centers fulfill customer orders that are made-to-order daily and assemble final mattress and order kitting with bases and accessories for shipment.

The Company sources the raw materials and components used in its products from third parties. A significant percentage of the Company's products are assembled after it receives orders from customers utilizing manufacturing processes with minimal levels of raw materials, work-in-process and finished goods inventories. The Company has taken, and continues to take, various measures to mitigate the potential impact of supply disruptions, including strengthening relationships with primary suppliers, identifying new alternate suppliers, redesigning products, exploring alternative components and maintaining safety stocks. Sleep Number is leveraging the flexibility, visibility and resilience of its operating model to respond nimbly as conditions change.

### Home Delivery Service

Sleep Number's home delivery teams are another direct touchpoint with its customers. Sleep Number smart beds and mattresses are delivered and installed by Sleep Number delivery technicians or by trained third-party service providers. This blended model enables the Company to efficiently deliver a strong customer experience.

### Customer Service

Sleep Number provides comprehensive post-purchase support that improves Smart Sleepers' experience and supports its business. Through ongoing interactions with customers via phone, email, chat and social media, the customer service team also provides a unique opportunity to benefit from insights that help the Company continuously improve its products and strengthen its service quality and innovation. This integration enables operational synergies and organizational efficiencies. Sleep Number has outsourced a portion of its customer service operations for greater efficiency.

### Innovation

Sleep Number's global research and development (R&D) team is comprised of onshore teams in Minneapolis, MN and San Jose, CA and offshore teams in Europe and Asia. Together, these teams are the driving force of the entire smart bed ecosystem including all smart beds, adjustable base designs and bedding solutions, and are comprised of experts in mechanical engineering, comfort, adjustability, temperature, anthropometrics and test systems. The Company's research and development expenses were \$34 million in 2025 compared to \$45 million in 2024.

With over 1,000 patents and patent applications pending worldwide, Sleep Number's innovation pipeline is robust. The combination of trademark individualized comfort and adjustability features – with AI, biometric analysis and other digital tools – creates the sleep wellness platform, which is the foundation of a long-term value proposition. Paired with millions of connected sleepers with approximately 80% monthly average smart bed user engagement and high customer lifetime value, the Company believes in the potential for expanded market relevance beyond the traditional mattress space into wellness technology and data, where there are many untapped consumer opportunities to solve persistent sleep issues.

Sleep Number is redefining the standards for monitoring sleep for research and health, and its smart bed ecosystem offers a non-invasive, real-world and accurate method to conduct sleep research. The Company's sleep wellness platform generates longitudinal sleep and biosignal data through a research-grade, multi-sensor ecosystem including ballistocardiography and AI/ML algorithms. This platform leverages high-resolution, full-body, continuous sensor recordings, as well as utilizing signal processing and machine-learning methods. Cloud infrastructure enables scale for one-to-many security and data sharing capabilities. Cloud intelligence and edge intelligence engines deliver advanced AI and analytics to generate a physical and digital immersive, adaptive and effortless sleep experience for each sleeper.

Sleep Number's sleep wellness platform automatically collects and analyzes billions of data points from millions of Smart Sleepers, conducting one of the largest sample sizes of sleep studies every night. To date, the Company has leveraged and learned from more than 38 billion hours of sleep data gathered from over 4.8 billion real-world sleep sessions, generating comprehensive longitudinal and ecologically-valid data to improve sleep quality. More than 558,000 individuals in its Smart Sleeper<sup>SM</sup> Community — and counting — have opted in to participate in ongoing sleep research and advance the science of sleep and health. This participation has led to rapid enrollment in Institutional Review Board (IRB)-approved studies, which combine the power of Sleep Number's broad sleep database with subjective understanding of sleeper behaviors to understand real-world outcomes. The smart bed ecosystem is helping to advance the linkage of quality sleep to health, bringing significant benefits to real-world sleepers.

Sleep Number is pairing data and innovations with meaningful collaborations with world-leading partners in sleep, leveraging the potential of the Company's research and technology to advance sleep science and to develop new products, services and synergistic interactions.

## **Partnerships and Collaborations**

Strategic partnerships amplify the effectiveness, impact and scale of Sleep Number's brand and marketing efforts.

### National Football League (NFL)

As the Official Sleep and Wellness Partner of the NFL since 2018, the partnership broadens Sleep Number's brand reach, deepens its brand relevance and amplifies the benefits of its proprietary innovations. The partnership has led to unparalleled product adoption: 83% of NFL players have a Sleep Number smart bed\*. Through 2028, Sleep Number expects to continue to actively support players and team personnel with their performance and recovery programs through sleep assessments, new innovations and more.

Sleep Number's NFL partnership also includes partnerships with the NFL Players Association (NFLPA) and the Professional Football Athletic Trainers Society (PFATS), which helps drive greater engagement on and off the field. Through Sleep Number content, seminars and team sleep education meetings, the trainers and football medical personnel qualify for continuing education credits.

In 2025, Sleep Number had partnerships with three clubs — Super Bowl LVI Champion Los Angeles Rams, the Dallas Cowboys, and the Minnesota Vikings — which add to its national media and community-activation efforts. These partnerships allow for focused communications in some of Sleep Number's most important markets.

Additionally, the Company leverages the NFL audience to further support American Cancer Society (ACS), being recognized as "an Official Partner of Crucial Catch" and a presenting sponsor of the Defender, an online tool developed by ACS and the NFL to provide cancer prevention, screening and support. The Company included ACS in its brand communications to Smart Sleepers, in its work with the NFL, across its social media and more.

In 2022, Sleep Number formed a partnership with the ACS to study the connection between cancer and sleep quality, with the goal of developing the first-ever sleep strategies and guidance for cancer patients and survivors. With contributions from Sleep Number's proprietary sleep data, ACS will conduct research over six years, which may lead to improved sleep outcomes for cancer patients and survivors. Additionally, Sleep Number supports cancer patients and caregivers through donations of sleep solutions to ACS's Hope Lodges across the country. And, as part of the Crucial Catch partnership, Sleep Number inspired tens of thousands of NFL fans to learn more about cancer risks and prevention by driving activation of The Defender.

### Health & Research Institutions

Through partnerships with world-leading health and wellness institutions, Sleep Number has advanced sleep science with its highly accurate, longitudinal sleep data. This data serves as the foundation for groundbreaking research on various health-related issues.

By enabling a longitudinal view of sleep habits for organizations that otherwise may not have access, Sleep Number believes partnerships and collaborations with physicians, researchers and institutions can deliver meaningful health solutions.

Sleep Number has partnered with the Mayo Clinic, ACS, Northwestern University, and the University of Pittsburgh in several research studies, with the aim of providing insights into how sleep affects health.

\*Based on the number of active roster players eligible for the NFL player Sleep Number® bed program who purchased a bed between 7/23/18 and 12/13/24.

In 2020, Sleep Number announced a collaboration with Mayo Clinic, resulting in multiple research projects including:

- Research to explore the relationship between disrupted sleep and markers of aging (telomeres, senescence, chronological EKG based on AI);
- Research to explore excessive daytime sleepiness (EDS) and its cardiovascular implications; and
- Research to investigate the prevalence of disordered sleep (sleep apnea, insomnia, and short sleep) in patients with Somali heritage and the implications for cardiovascular risk.

## Intellectual Property

As a result of the Company's R&D and strategic efforts, Sleep Number has continued to strengthen its patent portfolio, with a particular focus on smart features that improve sleep quality and thermal solutions to solve temperature disruptions to sleep. The Company holds various U.S. and foreign patents and patent applications regarding certain elements of the design and function of Sleep Number products, including air control systems, remote control systems, air chamber features, mattress construction, foundation systems, sensing systems, automated adjustments, in-bed temperature control, as well as other technology. Sleep Number has numerous U.S. patents expiring at various dates between January 2027 and May 2044, and numerous U.S. patent applications pending. The Company also has numerous foreign patents expiring at various dates between September 2026 and June 2047, and foreign patent applications pending. Notwithstanding these patents and patent applications, the Company cannot ensure that these patent rights will provide substantial protection or that others will not be able to develop products that are similar to, or competitive with, Sleep Number products.

Sleep Number has a number of trademarks and service marks registered with the U.S. Patent and Trademark Office, including Sleep Number®, SleepIQ®, Sleep Number 360®, 360®, the Double Arrow logo, Select Comfort®, AirFit®, Climate360®, ClimateCool®, Comfortaire®, Dreamaire®, DualTemp®, the DualTemp logo, the DualAir Technology Inside logo, FlexFit®, FlexTop®, HealthIQ®, IndividualFit®, Know Better Sleep®, Pillow[ology]®, PillowFit®, RespiratoryIQ®, Responsive Air®, Sleep Is Training®, Sleep Number Inner Circle®, Sleep30®, Smart Sleeper<sup>SM</sup>, This Is Not A Bed®, We Make Beds Smart® and WhisperFlo®. The Company has several trademarks that are the subject of pending applications, including Auto Snore™, BreathelIQ™, BreathelIQ+™, the BreathelIQ logo, the BreathelIQ+ logo, ComfortMode™, EnvirolIQ™, HeartIQ™, Individualized Sleep Experiences™, Tri-Brid™, and WellnessIQ™. Each registered mark is renewable indefinitely as long as the mark remains in use and/or is not deemed to be invalid or canceled. The Company also has a number of common law trademarks, including Clima-Temp™, ClimateSeries™, Comfort Service™, ComfortFit™, CoolFit™, Coolgenex™, Create Your Perfect Comforter™, Create Your Perfect Pillow™, Does Your Bedding Do that?™, Does Your Pillow Do That?™, DownComfort™, DualAir™, ExactFit™, Firmness Control™, FlexTop™, In Balance™, Knows You. Senses You. Adjusts to You™, Logic™ Label, LuxWarmth™, NaturalFit™, No Shift™, Partner Snore™, PlushComfort™, Relaxation™, ResponseFit™, Rest&Read™, Sleep Better Together™, Sleep Number Does That™, Smart™ Skirt, Smart Button™, SmartFit™, Smart Temp™, Smart Sleeper™, The Best Bed for Couples™, ThermaLux™, True Temp™, VariaCool™, Winter Soft™, and the Company's bed model names.

Several of the Company's trademarks have been registered, or are the subject of pending applications for registration, in various foreign countries. Sleep Number also has other intellectual property rights related to its products, processes and technologies, including trade secrets, trade dress and copyrights. The Company protects and enforces its intellectual property rights, including through litigation, as necessary.

## Industry and Competition

The Company competes in the bedding industry that is comprised of mattresses and foundations, pillows and accessories. The mattress category includes both traditional innerspring models and a wide range of non-innerspring options, such as viscoelastic and foam mattresses, hybrids, airbeds, and latex mattresses. The foundation category includes static and adjustable foundations. The bedding industry is commoditized and highly competitive. Sleep Number competes against regional and local specialty bedding retailers, bedding manufacturers, home furnishing stores, mass merchants, national discount stores and online marketers.

Manufacturers in the bedding industry mostly compete through national and regional retail partners, regional manufacturing verticals and online direct-to-consumer. Price, quality, brand name recognition, product availability and product performance are the primary ways manufacturers differentiate themselves. There is a high degree of concentration among manufacturers who produce innerspring, memory foam and hybrid beds under nationally recognized brand names, including Tempur-Pedic, Sealy, Stearns & Foster, Serta and Beautyrest. National manufacturers still dominate the bedding industry. There has recently been market consolidation, with Somnigroup owning the Tempur-Pedic, Sealy and Stearns & Foster brands, and also owning the Mattress Firm brand and stores. Brands including Saatva, Purple, Casper and Nectar, which started online have now moved into traditional retail channels for growth.

### **Seasonality**

The Company's business is modestly impacted by seasonal influences inherent in the U.S. bedding industry and general retail shopping patterns. The U.S. bedding industry generally experiences lower sales demand in the second quarter of the calendar year and increased sales demand during selected holiday or promotional periods.

### **Working Capital**

The Company is able to operate with minimal working capital requirements because it sells directly to customers, utilizes both "make-to-order" and "make-to-stock" production processes and operates retail stores that serve mainly as showrooms. Sleep Number has historically generated sufficient cash flows to self-fund operations through an accelerated cash-conversion cycle. The Company's Credit Agreement provides a revolving credit facility for general corporate purposes with net aggregate availability of \$655 million. The Credit Agreement matures in December 2027.

Qualified customers are offered revolving credit to finance purchases through a private-label consumer credit facility provided by Synchrony Bank. Approximately 40% of net sales in 2025 were financed by Synchrony Bank. The Company's current agreement with Synchrony Bank expires December 31, 2028, subject to earlier termination upon certain events. The Company pays Synchrony Bank a fee for extended credit promotional financing offers. Under the terms of the agreement, Synchrony Bank sets the minimum acceptable credit ratings, interest rates, fees and all other terms and conditions of the customers' accounts, including collection policies and procedures. As the receivables are owned by Synchrony Bank, at no time are the receivables purchased or acquired from the Company. Sleep Number is not liable to Synchrony Bank for its customers' credit defaults. In connection with all purchases financed under these arrangements, Synchrony Bank pays the Company an amount equal to the total amount of such purchases, net of promotional related discounts, upon delivery to the customer.

### **Governmental Regulation and Compliance**

As a vertically integrated manufacturer and retailer, the Company is subject to extensive federal, state and local laws and regulations affecting all aspects of its business. As a manufacturer, Sleep Number is committed to product quality and safety, including adherence to all applicable laws and regulations affecting the Company's products and services. Compliance with health, safety and environmental laws and regulations, including the federal fire retardant standards developed by the U.S. Consumer Product Safety Commission, which requires rigorous and costly testing, has increased the cost and complexity of manufacturing the Company's products and may adversely impact the speed and cost of product development efforts. Further, the Company's manufacturing, distribution, delivery and other business operations and facilities are subject to additional federal, state or local laws or regulations including supply chain transparency, conflict minerals sourcing and disclosure, end-of-life disposal, recycling and packaging requirements, transportation and other laws or regulations relating to environmental protection and health and safety requirements.

As a retailer, the Company is subject to additional laws and regulations that apply to retailers generally and govern the marketing and sale of the Company's products and the operation of both Sleep Number retail stores and e-commerce activities. Many of the statutory and regulatory requirements that impact the Company's retail and e-commerce operations are consumer-focused and pertain to activities such as the Company's promotions, advertising claims, marketing practices, pricing, consumer credit offerings, truth-in-advertising, consumer privacy, "do not call/mail" requirements, text messaging requirements, warranty disclosure, delivery timing requirements, accessibility and similar requirements.

The Company's operations are subject to federal, state and local labor laws including, but not limited to, those relating to occupational health and safety, employee privacy, wage and hour, overtime pay, pay transparency, harassment and discrimination, equal opportunity and employee leaves and benefits. The Company is also subject to existing and

emerging federal and state laws relating to insider trading, data security, privacy, cybersecurity disclosure, clawback policy disclosures and greenhouse gas measurement and climate impact disclosure.

It is Sleep Number's policy and practice to comply with all legal and regulatory requirements. The Company's procedures and internal controls are designed to promote such compliance.

## **Human Capital**

Guided by its purpose to improve lives by personalizing sleep, Sleep Number fosters a culture where team members are highly engaged and contribute meaningfully to the company and its communities. With sleep at the center, Sleep Number supports the wellbeing of its team members across the pillars of physical, emotional, financial, career and community wellbeing. The company values every individual's unique talents, perspectives and experiences, and strives to create an inclusive environment where team members can do their best work, which supports collaboration, innovation, and long-term success.

At January 3, 2026, Sleep Number employed a total of 3,133 team members, of which 53 were classified as part-time and 3 were employed on a temporary basis. The breakdown of team members by area was as follows: 1,863 in retail sales and support, 305 in field services, 160 in customer service, 294 in manufacturing and logistics, and 511 in technology, corporate, management and administrative positions. Team members include racially diverse members of 40% of team and women of 38%.

Attracting, motivating and retaining the right talent is critical to Sleep Number's success, which is why it is unyielding in its commitment to its team members' wellbeing, connection to one another and sense of belonging. The Company strives to create and sustain a culture in which all team members feel welcomed and valued and can bring their authentic and whole selves to work every day and it reinforces this commitment through investment in programs and initiatives including:

- **Career Wellbeing:** The Company's Learning and Development programs enhance team member capabilities, driving personal growth, mentoring opportunities and organizational performance;
- **Financial, Emotional and Physical Wellbeing:** Sleep Number's compensation practices and comprehensive benefits highlight its commitment to improving its team's economic opportunity and promoting their physical and emotional stability. The Company annually benchmarks its total rewards programs to ensure market competitiveness and offers all team members a form of variable compensation tied to performance in addition to their base pay. To support emotional wellbeing, Sleep Number offers all team members mental health resources in addition to flexible time off benefits;
- **Health and Safety Policies:** Sleep Number establishes clear expectations for all team members to ensure a physically and psychologically safe environment. As part of the Company's effort to improve safety, it collects and analyzes workplace injury and accident information across all locations and takes steps to reduce incident rates. The Company actively evolves its health and safety policies during the year to ensure the safety of its team members and customers; and
- **Community Engagement:** Sleep Number fosters a strong sense of belonging, connection and service through Team Member Resource Groups, Team Member Support Fund and Team Member Volunteer opportunities. Sleep Number actively supports eight Team Member Resource Groups.

## **Commitment to Sustainability**

Sleep Number is committed to sustainability through initiatives that support the resilience of its business. The Company's efforts focus on aligning and integrating environmental stewardship and social progress with its pursuit of long-term shareholder value creation.

Sleep Number takes seriously its responsibility to its stakeholders, including team members, consumers, community, suppliers and shareholders. To continue to earn their trust, the Company proactively advances and discloses practices, priorities and metrics that demonstrate its accountability and commitment to sustainability.

- Sleep Number is strengthening systems and processes that reinforce sound governance, high integrity decision-making and transparent, consistent reporting practices.
- To attract and retain highly engaged team members, the Company continues to prioritize programs that promote well-being, provide opportunities for professional development and reward strong performance.
- Through volunteerism, financial and in-kind support, and meaningful contributions to sleep science, research and sleep innovations, Sleep Number is improving millions of lives – delivering significant value to consumers and their communities.
- Recognizing the benefit of collaboration in achieving the Company’s goals, Sleep Number is strengthening its relationships with suppliers and engaging with them to increase its operating model durability and sustainability.
- And the Company is monitoring – and taking responsible actions to control – its greenhouse gas emissions, waste and other environmental outputs, including through improved network design, transportation optimization and innovations that extend the useful life of product components.

Additional information is available in the Company’s Corporate Sustainability Report, posted within the Investor Relations section of the Sleep Number website at <http://ir.sleepnumber.com>. Select the “ESG” link and then “Sustainability Reports.” The information contained on the Company’s website or connected to its website is not incorporated by reference into this Form 10-K and should not be considered part of this report.

## Information about the Company's Executive Officers

### **LINDA FINDLEY, 52**

*Board Member, President and Chief Executive Officer (Joined the Company in April 2025)*

Linda Findley, Sleep Number® setting 30, serves as the President and Chief Executive Officer for Sleep Number. From April 2019 to May 2024, Ms. Findley served as the President, Chief Executive Officer and Director of Blue Apron Holdings, Inc. (formerly Nasdaq: APRN), an ingredient and recipe meal kit company. From May 2016 to December 2018, she was the Chief Operating Officer at Etsy, Inc. (NYSE: ETSY), a global e-commerce marketplace for unique and creative goods, where she oversaw product, design, marketing, and customer engagement and acquisition. Prior to Etsy, Ms. Findley held a variety of senior executive roles at Evernote Corp. from October 2012 to December 2015, including most recently as Chief Operating Officer, and led global marketing, business development, and customer service for Alibaba.com Ltd. from June 2009 to October 2012, based out of Hong Kong. Ms. Findley has served on the board of directors of Ralph Lauren (NYSE: RL) since August 2018 and HeliosX since February 2025.

### **AMY O'KEEFE, 55**

*Executive Vice President and Chief Financial Officer (Joined the Company in December 2025)*

Amy O'Keefe, Sleep Number® setting 65, serves as Executive Vice President and Chief Financial Officer for Sleep Number and brings over 30 years of experience leading operational, strategic, and financial transformations across public and private companies in the consumer products, technology, and wellness sectors. From June 2023 to May 2025, Ms. O'Keefe served as Chief Financial and Administrative Officer of Avaya LLC, a global communications software company, where she played a key leadership role in its operational, strategic, and financial transformation, driving significantly improved free cash flow. Prior to Avaya, O'Keefe spent nearly half of her career at The Black & Decker Corporation (NYSE: SWK) and subsequently served as Chief Financial Officer for multiple public and private companies, including Weight Watchers International (Nasdaq: WW), a global wellness company providing subscription-based commercial weight management programs with both in-person and digital-only offerings, from October 2020 to December 2022, Drive DeVilbiss Healthcare, Savant Systems, and D&M Holdings. Ms. O'Keefe has served on the board of directors of TruBridge, Inc. (Nasdaq: TBRG) since October 2024.

### **MELISSA BARRA, 54**

*Executive Vice President and Chief Product and Enterprise Strategy Officer (Joined the Company in 2013 and was promoted to current role in April 2025)*

Melissa Barra, Sleep Number® setting 30, serves as Executive Vice President and Chief Product and Enterprise Strategy Officer. Ms. Barra oversees the Company's product portfolio, from development through distribution and is responsible for streamlining research and development efforts and ensuring that products, partnerships and distribution continue to evolve in ways that meet the needs of today's customers. From June 2019 to April 2025, Barra served as Executive Vice President, Chief Sales and Services Officer, where she led the company's customer-focused strategy and the organization's sales, real estate, field services, customer relationships, and corporate technology teams. Barra joined Sleep Number in 2013 as Vice President, Consumer Insights and Strategy. Prior to joining Sleep Number in February 2013, Ms. Barra held leadership positions in the U.S. and internationally in process reengineering, finance, strategic alliances and corporate development for Best Buy, Grupo Futuro S.A., Citibank and GE Capital. Ms. Barra has served on the board of directors of Pentair PLC (NYSE: PNR) since December 2021.

### **SAMUEL R. HELLFELD, 47**

*Executive Vice President and Chief Legal and Risk Officer and Secretary (Joined the Company in 2013 and was promoted to current role in March 2022)*

Samuel R. Hellfeld, Sleep Number® setting 35, serves as Executive Vice President and Chief Legal and Risk Officer and Secretary and leads legal, internal audit, corporate security and asset protection. From September 2018 to March 2022, Mr. Hellfeld served as Senior Vice President and Chief Legal and Risk Officer. From October 2015 to September 2018, Mr. Hellfeld served as Vice President, Associate General Counsel. Mr. Hellfeld joined Sleep Number in March 2013 as Corporate Counsel. Prior to joining Sleep Number, Mr. Hellfeld was a Partner in the law firm of Fox Rothschild LLP (fka Oppenheimer Wolff & Donnelly LLP), practicing in the areas of litigation and intellectual property. Prior to 2010, Mr. Hellfeld was an Associate at several national law firms and also served as Law Clerk in the United States Court of Appeals for the Ninth Circuit and the United States District Court, Southern District of California.

**CHRISTOPHER D. KRUSMARK, 46**

*Executive Vice President and Chief Retail and People Officer (Joined the Company in 2005 and was promoted to Chief Retail and People Officer in April 2025)*

Christopher D. Krusmark, Sleep Number® setting 55, serves as Executive Vice President and Chief Retail and People Officer, where he leads the retail selling experience and real estate footprint, ensuring both customers and team members are supported through connected enterprise processes. From July 2020 to April 2025, Mr. Krusmark served as Sleep Number as Executive Vice President and Chief Human Resources Officer. From January 2023 through August 2023, Mr. Krusmark also served as Interim CFO. Prior to being promoted to his Chief Human Resources Officer role in July 2020, Mr. Krusmark served as Sleep Number's Vice President of Sales Operations, Field Services and Training where he led retail and home delivery operations and wholesale business development. From June 2005 to October 2015, Mr. Krusmark held a variety of leadership roles in finance at Sleep Number supporting sales, real estate, marketing and product. Prior to joining Sleep Number, Mr. Krusmark worked on the financial audit staff of EY and Arthur Andersen.

**AMBER L. MINSON, 56**

*Executive Vice President and Chief Marketing Officer (Joined the Company in May 2025)*

Amber L. Minson, Sleep Number® setting 55, serves as the Executive Vice President and Chief Marketing Officer for Sleep Number. She leads the company's integrated marketing strategy, driving sustained demand generation, enhancing brand visibility and delivering media efficiency. She is an accomplished leader with more than two decades of marketing and brand strategy experience. Most recently, from July 2024 to April 2025, Ms. Minson served as Chief Marketing Officer of Casper Sleep Inc., a consumer sleep products company that designs, manufactures, and sells mattresses and related sleep accessories, under a contract agreement. From January 2023 to May 2024, she served as Chief Revenue Officer, as well as from October 2022 to January 2023, as Chief Marketing Officer at Blue Apron Holdings, Inc. (formerly Nasdaq: APRN), an ingredient and recipe meal kit company. where she was responsible for all revenue generating and customer-facing functions, including growth through strategic pricing and promotional initiatives. From 2020 to 2022, Ms. Minson served at Chief Marketing Officer for Foreground LLC, a company that helps photographers and photo consumers create memories that last a lifetime. Ms. Minson also built and scaled high performance marketing organizations for companies including Intuit, Alibaba, Home Shopping Network (HSN) and Comcast NBCUniversal.

**TANYA SKOGERBOE, 50**

*Senior Vice President and Chief Supply Chain and Transformation Officer (Joined the Company in February 2007 and was promoted to Chief Supply Chain and Transformation Officer in February 2025)*

Ms. Skogerboe, Sleep Number® setting 35, serves as the Senior Vice President and Chief Supply Chain and Transformation Officer for Sleep Number. In her role, she is responsible for leading all aspects of the company's supply chain operations – from manufacturing to fulfillment – to ensure quality, consistency and efficiency at every step of the customer journey. Ms. Skogerboe also oversees the rigorous transformation efforts of the company to get closer to the customer and optimize operations. Over her almost 20 year career at Sleep Number, she has held senior leadership positions in services and strategy, customer experience and commercial channel operations. Prior to joining Sleep Number, Ms. Skogerboe served as manager of global sales for Northwest Airlines.

## Available Information

Sleep Number is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and its rules and regulations. The Exchange Act requires the Company to file reports, proxy statements and other information with the Securities and Exchange Commission (SEC).

Sleep Number's corporate website is [www.sleepnumber.com](http://www.sleepnumber.com). Through a link to a third-party content provider, the corporate website provides free access to its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. These documents are posted on the corporate website at [www.sleepnumber.com](http://www.sleepnumber.com): select the "Investors" link, the "Financials" link, and then the "SEC Filings" link. The information contained on the Company's website or connected to its website is not incorporated by reference into this Form 10-K and should not be considered part of this report.

The Company also makes available, free of charge on its website, the charters of the Audit Committee, Management Development and Compensation Committee and Corporate Governance and Nominating Committee, as well as its Code of Business Conduct and Ethics (including any amendment to, or waiver from, a provision of its Code of Business Conduct and Ethics) adopted by the Company's Board of Directors (Board). These documents are posted on the Company's website: select the "Investors" link, the "Governance" link and then the "Governance Documents" link. The information contained on the Company's website or connected to its website is not incorporated by reference into this Form 10-K and should not be considered part of this report.

Copies of any of the above-referenced information will also be made available, free of charge, upon written request to:

### Sleep Number Corporation

Investor Relations Department  
1001 Third Avenue South  
Minneapolis, MN 55404

## ITEM 1A. RISK FACTORS

*An investment in Sleep Number's common stock involves a high degree of risk. Stakeholders should carefully consider the specific risks set forth below and other matters described in this Annual Report on Form 10-K before making an investment decision. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties, including risks and uncertainties that impact the business environment generally, those not presently known to the Company, or those that it currently sees as immaterial, may also harm its business. If any of these risks occur, the Company's business, results of operations, cash flows and financial condition could be materially and adversely affected.*

### **Risks Related to our Business and Industry**

***Adverse changes in general economic conditions and consumer sentiment have reduced, and could continue to reduce discretionary consumer spending and, as a result, have adversely affected and could continue to adversely affect the Company's sales, profitability, cash flows, availability of credit, and financial condition.***

The Company's success depends significantly upon discretionary consumer spending, which is influenced by a number of general economic factors, including without limitation economic growth, consumer confidence and sentiment, consumer disposable income, the housing market, employment, fuel prices, income and debt levels, interest rates, inflation, taxation, consumer shopping trends and the level of customer traffic, political conditions, inclement weather, natural disasters, recession and fears of recession, civil unrest and disturbances, terrorist activities, war and fears of war, as well as perceptions of personal wellbeing and security, health epidemics or pandemics. Adverse trends in these general economic factors and reduced consumer spending have and may continue to adversely affect the Company's sales, profitability, cash flows, financial condition, availability of credit, including with respect to the Company's current credit facility, its ability to service and pay down debt, and any potential new or replacement sources of credit, or cause the Company to breach covenants or other terms contained in its Credit Agreement, which could materially adversely affect the Company's business, results of operations, cash flows and financial condition. In the first quarter of 2026, to date, our net sales have

been adversely affected by negative consumer sentiment, inclement weather, and we have experienced a year-over-year decrease in net sales.

Although previously high inflation subsided somewhat in 2024 and 2025, it may again increase due to various economic factors, such as the imposition of increased tariffs or other inflationary economic policies, and adversely affect the Company's business operations and financial results by increasing the costs of fuel, shipping, raw materials, labor, commodity, and other costs. While the Company has historically been able to pass along some cost increases to its customers, it has not and may not be able to offset such higher costs through price increases or other means, and its margins, profitability, cash flows, availability of credit, and financial condition have been and could continue to be adversely impacted.

The federal funds rates have fluctuated over the past three years and remain relatively high compared to the 10-year average, adversely affecting customer purchasing behavior. It is uncertain whether the Federal Reserve will hold, reduce, or increase the rate going forward and such uncertainty, as well as any Federal Reserve action or non-action with respect to the rate, has and may continue to negatively affect customer purchasing behavior, which has and may continue to adversely affect the Company's sales, profitability, cash flows, credit availability and financial condition.

The United States (U.S.) debt ceiling and budget deficit concerns have increased the possibility of credit-rating downgrades, economic slowdowns, or a recession in the U.S. The federal government has shutdown in 2026 and risks of additional government shutdowns or sovereign defaults remain if the spending bills necessary to fund the government through 2026 are not passed by Congress. Whether or not these concerns materialize, growing uncertainty may reduce consumer confidence and increase levels of unemployment, all of which may reduce demand for the Company's products, causing harm to its sales, profitability, cash flows, availability of credit, and financial condition.

Additionally, instability or disruptions to credit markets or the financial services industry, including banks that fail or otherwise become distressed, could adversely affect the Company's, sales, operations, profitability, cash flows, availability of credit, and financial condition.

***Interest rates remain elevated, and may further increase, and impact the cost of servicing the Company's indebtedness and have an adverse effect on its results of operations, cash flows and stock price.***

The Company's Credit Agreement currently bears interest at a variable rate. The Company bears the risk that the rates charged by the Company's lenders will outpace expectations and the earnings and cash flow of its business. This has reduced the Company's profitability and has potential to continue to reduce profitability in addition to the potential to adversely affect the Company's ability to service its debt, or cause the Company to breach covenants or other terms contained in its Credit Agreement, which could materially adversely affect the Company's business, results of operations, cash flows and financial condition.

***A reduction in the availability of, or increase in the cost of, credit to consumers generally or under the Company's existing consumer credit programs has negatively impacted, and could continue to negatively impact, the Company's sales, profitability, cash flows and financial condition.***

A significant percentage of the Company's sales are made under consumer credit programs through third parties. The amount and cost of credit available to consumers may be adversely impacted by macroeconomic factors, including general economic conditions, consumer confidence and sentiment, consumer disposable income, the housing market, employment, fuel prices, income and debt levels, interest rates, inflation, taxation, political conditions and uncertainty with respect to the presidential administration, inclement weather, natural disasters, recession and fears of recession, civil unrest and disturbances, terrorist activities, war and fears of war, including the war between Russia and Ukraine and the conflicts in the Middle East, as well as consumer perceptions of personal wellbeing and security, health epidemics or pandemics, which could cause suppliers of credit to adjust their lending criteria and costs. These macroeconomic factors have, and may continue to, adversely impact the cost of credit which, in turn, has and may continue to negatively impact the Company's sales, profitability, cash flows and financial condition.

Synchrony Bank provides credit to the Company's customers through a private label credit card agreement that is currently scheduled to expire on December 31, 2028, subject to earlier termination upon certain events. Adverse trends in general economic factors and reduced consumer spending have and may continue to adversely affect the Company's sales, profitability, cash flows, financial condition, availability of credit, including with respect to the Company's agreement

with Synchrony Bank, or cause the Company to breach covenants or other terms contained in its agreement with Synchrony Bank, which could materially adversely affect the Company's business, results of operations, cash flows and financial condition. Synchrony Bank has discretion to control the content of financing offers to the Company's customers and to set minimum credit standards under which credit is extended to customers.

Reduction of credit availability due to changing economic conditions, including rising inflation, increased interest rates, changes in credit standards under the Company's private label credit card program or changes in regulatory requirements, or the termination of its agreement with Synchrony Bank, could harm the Company's sales, profitability, cash flows and financial condition.

***The Company may not be successful in achieving the expected improvements, growth, cost savings, and other benefits related to its turnaround strategy and such actions could have adverse effects on the Company.***

The Company's turnaround strategy is centered on product, marketing and distribution, as well as ongoing cost savings and operating efficiencies, to reignite growth and increase financial resilience. The Company's turnaround strategy and its execution thereof may not be successful, which could adversely impact the Company's business, results, profitability, cash flows, availability of credit, and financial condition. Current or future demand may not support the costs of the Company's turnaround strategy, infrastructure at an acceptable margin, or vertically integrated business model. A failure or delay in implementing or realizing the anticipated improvements, growth, cost savings, and other benefits of the turnaround strategy could materially and adversely impact the Company's business, results, profitability, cash flows, availability of credit, and financial condition. Investments, costs and charges necessary or incurred in connection with implementing the turnaround strategy may be significant and have been and may continue to be higher than expected. In addition, implementing the cost savings and operating efficiency plans has and could continue to negatively impact the Company's workforce, partnerships, initiatives, innovation, brand, customer experience, and development plans or otherwise interfere with the Company's ability to grow and compete effectively, each of which could adversely impact the Company's business, results, profitability, cash flows, availability of credit, and financial condition.

#### **Risks Related to Indebtedness and Liquidity**

***There is substantial doubt about the Company's ability to continue as a going concern, and this may adversely affect our stock price, our ability to raise capital or enter into strategic transactions, and our relationships with key stakeholders.***

In accordance with ASC Topic 205-40, Going Concern, the Company's management evaluates whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern. This evaluation includes considerations related to the Company's forecasted liquidity and cash consumption requirements for one year from the date of issuance of our consolidated financial statements included in this Annual Report on Form 10-K.

As discussed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*, the Company has, throughout 2025, announced certain fixed cost reductions, pursued alternative financing, and continues to pursue its turnaround strategy, however the timing, costs and realization of these cannot be guaranteed to ensure sufficient cash flow is generated to provide liquidity to meet the Company's obligations. While these actions demonstrate a series of material steps taken to improve the Company's financial condition, the Company has a history of net losses over the past three years and expects to continue to incur additional losses in the near future. In addition, the Company anticipates that it will not remain in compliance with the financial covenants of its Credit Agreement for the next twelve months. Inability to remain in compliance with such covenants will result in an event of default under the Credit Agreement, allowing the lenders thereunder to declare all indebtedness thereunder due and payable and terminate remaining commitments. As a result of these considerations, the Company's liquidity may be insufficient to meet its obligations for at least one year from the date of issuance of these financial statements, which raises substantial doubt about the Company's ability to continue as a going concern.

Management's plans to address the substantial doubt about the Company's ability to continue as a going concern, as described above, include the following actions:

- execute the Company's turnaround strategy centered on product, marketing and distribution with ongoing cost savings and operating efficiencies to reignite growth and increase financial resilience;

- engage in negotiations with the lenders in its Credit Agreement with the goal of amending or waiving financial covenants and certain other provisions of its credit facility; and
- engaged financial advisors to assist in negotiating with the lenders and identifying and securing additional capital options, alternative financing arrangements, strategic alternatives, or other comprehensive solutions to address the Company's capital structure and leverage needs to return to growth and create long-term value.

There can be no assurance of the Company's ability to realize these plans, and the Company's ability to realize these plans depends, in part, on factors beyond the Company's control. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

There may be adverse impacts to the Company's stock price, the Company's ability to obtain supplies and services on credit and the Company's ability to raise capital, obtain waivers of the covenants under, or refinance the indebtedness under, its Credit Agreement or enter into strategic transactions, or the Company's relationship with its key stakeholders and other counterparties as a result of the uncertainty regarding its ability to continue as a going concern or successfully execute its plan to address the substantial doubt related thereto. If the Company is unable to successfully execute its mitigation plan or obtain sufficient financial resources, its business, results of operations, financial condition, and cash flows could be materially and adversely affected and it could be forced to terminate, significantly curtail or cease our operations, pursue strategic alternatives or commence a case under the U.S. Bankruptcy Code.

***The Company will require additional capital and its access to such capital or alternative financing options may depend on factors beyond the Company's control or may require the Company to accept unfavorable terms.***

Absent a material improvement in the Company's performance, the Company will need to obtain additional capital to enable the Company to fund its operations, execute its business and turnaround strategies, service and repay its indebtedness or to fund other liquidity needs. If the Company is unable to obtain additional capital to fund its operations and strategies or satisfy its debt obligations, it will have to undertake alternative financing options, such as refinancing or restructuring its indebtedness, selling assets, reducing or delaying capital investments, raising additional capital or pursuing strategic alternatives, including commencement of a case under the U.S. Bankruptcy Code. The Company's ability to execute on these actions will depend on numerous factors including the Company's financial condition at such time and the condition of the capital markets and other factors beyond the Company's control. Any new capital or refinancing of the Company's indebtedness could be at higher interest rates and could require the Company to comply with more onerous covenants or other unfavorable terms, which could further restrict its business operations. The Company cannot assure that any new capital raise, refinancing or debt restructuring would be possible, or if possible, would be completed on favorable or acceptable terms. If sufficient cash from operations, refinancing, or external funding is not available, the Company may be unable to adequately fund its business plan and operations and the Company's business, results of operations, cash flows and financial condition would be materially and adversely affected.

***The Company's credit facility contains financial covenants and other restrictions that may limit the Company's financial and operational flexibility or otherwise adversely affect our results of operations.***

The terms of the Company's credit facility, as set out in the Credit Agreement, includes a number of covenants, restrictions and payment requirements that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, sell or otherwise dispose of our assets, pay dividends, make redemptions and repurchases of stock, make investments, loans and acquisitions or change the nature of our business. These may restrict the Company's current and future operations and could adversely affect its ability to finance its future operations or capital needs. In addition, complying with the covenants and restrictions may make it more difficult for the Company to successfully execute its business and turnaround strategies. In addition, the Credit Agreement includes financial covenants that, among other things, require the Company to maintain a minimum liquidity amount and to satisfy certain leverage ratios, interest coverage ratios and EBITDA targets. Absent a material improvement in the Company's financial performance, it will be unable to satisfy these ratios during 2026. A failure to comply with the covenants, restrictions or payment requirements set out in the Credit Agreement could result in an event of default, which, if not cured or waived, would give the lenders the right to terminate their commitments to provide additional loans, declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable, increase the interest rates applicable to such debt, and exercise rights and remedies, including by way of initiating foreclosure proceedings against any assets constituting collateral for the obligations under the credit facilities. If our debt were to be accelerated, the Company may not have sufficient liquidity or the ability to refinance the debt or sell sufficient assets to repay the debt, which could immediately

adversely affect the Company's business, results of operations, financial condition, and cash flows. Even if the Company were able to obtain new financing, such financing may not be on favorable or acceptable terms.

### **Risks Related to the Company's Marketing Strategy and Execution of Total Retail Distribution Strategy**

#### ***The Company's future growth and profitability depend upon the effectiveness and efficiency of its marketing programs and promotions.***

The Company is highly dependent on the effectiveness of its marketing messages, the efficiency of its advertising expenditures in generating consumer awareness, consideration and conversation leading to sales of its products, and the ability to competitively price its products. Sleep Number continues to evolve its marketing strategies, adjust its messages and promotional discounts, differentiate its products, and review the amount it spends on advertising, the timing of its spend, and where it is spent. The Company may not always be successful in developing effective messages or addressing consumer perception regarding the price of its products, as the consumer and competition change, or in achieving efficiency in its advertising expenditures. The Company has been and may continue to be constrained in its ability to invest in advertising at a rate sufficient to drive demand.

The Company relies in part upon third parties, such as social media influencers and athletes, to market its brand, and is unable to fully control their efforts. Influencers and athletes with whom the Company maintains a relationship could engage in behavior or use their platforms to communicate directly with Sleep Number's customers in a manner that reflects poorly on its brand, and these communications may be attributed to the Company or otherwise adversely affect the Company. It is not possible to prevent such behavior, and the precautions the Company takes to prevent or detect this activity may not be effective.

Consumers expect seamless digital experiences and interactions as a part of their shopping experience. As a result, the Company's future growth and profitability will depend in part on (i) the effectiveness and efficiency of the Company's online experience, including without limitation advertising and search marketing and optimization programs and how our brand shows up in artificial intelligence overviews and summaries, in generating consumer awareness and sales of its products; (ii) the Company's ability to prevent confusion among consumers that can result from search engines that allow competitors to use its trademarks to direct consumers to competitors' websites through confusing or misleading advertisements; (iii) its ability to prevent Internet publication of false or misleading information regarding its products or the Company's competitors' products; (iv) reviews of Sleep Number's products; (v) the nature and tone of consumer sentiment, including those published online or elsewhere; and (vi) the stability and effectiveness of the Company's website. Competitor spending on digital marketing programs has and may continue to increase, including without limitation from a number of direct-to-consumer, digital and omnichannel retailers, which, in turn, has and may continue to increase the cost of the Company's digital marketing programs and online search terms.

If the Company's marketing messages are ineffective or its advertising expenditures and other marketing programs, including digital programs, are inefficient in creating awareness and consideration of its products and brand name, and in driving consumer traffic to the Company's website, call centers, or stores, the Company's sales, profitability, cash flows, availability of credit, and financial condition may be adversely impacted. In addition, if the Company is not effective in preventing the publication of confusing, false or misleading information regarding its brand or its products, or if there is publication online or elsewhere of significant negative consumer sentiment regarding the Company, brand or products, sales, profitability, cash flows, availability of credit, and financial condition may be adversely impacted.

#### ***The Company's future growth and profitability depend on its ability to execute its Total Retail distribution strategy.***

The vast majority of the Company's sales occur through Total Retail, including its retail stores and website. The Company's retail stores carry significant fixed costs, and it has made significant capital expenditures in that store footprint. The Company is highly dependent on its ability to maintain and increase sales per store to cover these fixed expenses, provide a return on its capital investments and improve the Company's operating margins. As a part of the Company's cost savings and operational efficiencies, select stores have been closed and additional stores are expected to be closed, and store remodels have been delayed. These closures and older retail store designs have resulted and may continue to result in higher than expected costs, charges, continued rent liability, lost sales, lower brand awareness, weakened customer experience, deteriorated reputation, or otherwise negatively impact the Company's sales, profitability, cash flows, availability of credit, and financial condition.

Some of the Company's stores are mall-based, which stores depend on the continued popularity of malls as shopping destinations and the ability of mall anchor tenants and other attractions to generate customer traffic. Any decrease in mall traffic, including due to increased online shopping, could adversely affect the Company's sales, profitability, cash flows, availability of credit, and financial condition.

The Company's Total Retail distribution strategy results in relatively few points of distribution, including 600 retail stores in 50 U.S. states as of the end of 2025, Online, Phone and Chat. Several of the mattress manufacturers and retailers with which the Company competes have significantly more brick-and-mortar points of distribution than it does, which makes the Company highly dependent on its ability to drive consumers to its points of distribution to maintain and gain market share.

When the Company is better positioned to extend existing leases or open new stores in the future, it may encounter higher than anticipated rents, be unable to find or obtain suitable new locations or renew existing locations, and may need to navigate a deteriorated reputation among potential landlords.

### **Risks Related to the Company's Ability to Compete Effectively**

#### ***Significant competition has affected and is likely to continue to adversely affect the Company's business.***

As a vertically integrated business, the Company's products and distribution face significant competition from both manufacturers of different types of mattresses and a variety of retailers.

The mattress industry is becoming more concentrated among the largest manufacturers of innerspring mattresses and foam mattresses and one dominant national mattress manufacturer and retailer. The dominant national mattress manufacturer and retailer may further consolidate through an announced potential acquisition of a national foam and adjustable base supplier. In recent years, numerous direct-to-consumer companies and low-cost importers have entered the market, offering "bed-in-a-box" or similar products primarily through online distribution directly to consumers though many now also partner with traditional mattress retailers. A variety of sleep tracking and monitoring products that compete with the Company's SleepIQ technology have been introduced by various manufacturers and retailers, both within and outside of the traditional mattress industry. A variety of mattress and base manufacturers have also come to market with copycat smart beds, some featuring a version of what they market as "adjustable firmness." This competition has and may continue to increase the costs of search terms and digital advertising and otherwise adversely affect the Company's business.

Some of the Company's competitors have substantially greater financial, marketing and manufacturing resources, greater investment in customer experience, and greater brand name recognition than the Company does and sell products through broader and more established distribution touchpoints, which has and may continue to negatively impact traffic to the Company's distribution points. Consolidation in the mattress industry has and may continue to amplify this disparity. The Company's national, exclusive distribution competes with other retailers who generally provide a wider selection of mattress and brand alternatives at varying price points than the Company offers.

These manufacturing and retailing competitors, or a combination of these competitors, or new entrants into the market, may compete aggressively and maintain and gain market share with existing or new products, and may pursue or expand their presence in the adjustable firmness air bed segment of the market as well as in the market for sleep tracking and monitoring products. The Company has limited ability to anticipate the timing and scale of new product introductions, advertising campaigns or new pricing strategies by its competitors, which could inhibit its ability to maintain or increase market share, or to maintain the Company's profit margins.

If the Company is unable to effectively compete with other manufacturers and retailers of mattress and sleep tracking and monitoring products, the Company's sales, profitability, cash flows and financial condition may be adversely impacted.

#### ***Failure to achieve and maintain high levels of product and service quality could negatively impact the Company's sales, profitability, cash flows and financial condition.***

The Company's products and services are highly differentiated from traditional innerspring mattresses and from viscoelastic and other foam mattresses, which have little or no technology and do not rely on electronics and air control systems. As a result, the Company's beds may be susceptible to failures that do not exist with traditional or foam

mattresses. Also, the Company has launched and is launching new products on a faster timeline than the Company's prior product launches, which truncated timeline could result in unforeseen issues like potential technical or quality issues. Failure to achieve and maintain acceptable quality standards could impact consumer acceptance of its products and services or result in negative media and Internet reports or owner dissatisfaction that could negatively impact the Company's brand image and sales levels. In addition, a decline in product or service quality could result in an increase in return rates and a corresponding decrease in sales, or an increase in product warranty claims in excess of the Company's warranty reserves. An unexpected increase in return rates or warranty claims could harm the Company's sales, profitability, cash flows and financial condition.

The Company faces an inherent risk of exposure to product liability claims or regulatory actions if the use of its products is alleged to have resulted in personal injury or property damage. If any of the Company's products proves to be defective or non-compliant with applicable regulations such as the federal Consumer Product Safety Commission flammability standards, the Company may be required to recall or redesign such products. The Company has at times experienced product liability claims and regulatory actions and may experience such actions in the future. The Company maintains insurance against some forms of product liability claims, but such coverage may not be applicable to, or adequate for, liabilities actually incurred. A successful claim brought against the Company outside of, or in excess of, available insurance coverage, or any claim or product recall that results in significant adverse publicity about the Company, may have a material adverse effect on the Company's sales, profitability, cash flows and financial condition.

***The Company's future growth and profitability depend in part on its ability to continue to improve and expand its product line, anticipate and respond to changing consumer trends, and to successfully execute new product introductions.***

The Company's ability to compete effectively in the highly competitive sleep and wellness field and to profitably maintain or grow its market share depend in part on its ability to continue to improve and expand the Company's product line of adjustable firmness air beds, adjustable bases, SleepIQ technology, and related accessory products. The Company incurs significant research and development and other expenditures in the pursuit of improvements and additions to its product line and is re-prioritizing research and development resources in this highly constrained environment. As part of the Company's turnaround strategy, it is repositioning the brand and reducing its core lineup from twelve mattresses to seven mattresses, including five new mattresses, and doing so on a faster timeline than the Company's prior product launches. If these efforts do not result in meaningful product improvements, if the Company is not able to timely anticipate and respond to changing consumer trends and to gain widespread consumer acceptance of product improvements or new product introductions, or there are delays or production limitations with respect to its product improvements or new product introductions, the resulting impacts on our product mix and distribution strategy could adversely affect the Company's sales, profitability (including margin), cash flows and financial condition. The Company's comprehensive new product launch as part of its turnaround strategy has and may continue to result in inventory management issues including increased obsolescence and write-offs, as well as, inventory shortages and longer fulfillment times, which would adversely affect the Company's sales, profitability (including margin), cash flows and financial condition.

In addition, if any significant product improvements or new product introductions are not successful, delayed, or constrained the Company's reputation and brand image may be adversely affected.

***The Company's intellectual property rights may not prevent others from using its technology or trademarks in connection with the sale of competitive products. The Company is from time to time subject to claims that its products, processes or trademarks infringe intellectual property rights of others.***

The Company owns various U.S. and foreign patents and patent applications related to certain elements of the design and function of the Company's beds, biosignal monitoring and related products. The Company owns numerous registered and unregistered trademarks and trademark applications, including in particular the Sleep Number, Climate360 and SleepIQ trademarks, as well as other intellectual property rights, including trade secrets, trade dress and copyrights, which it believes has significant value and is important to the development, function, and marketing of its products. These intellectual property rights may not provide adequate protection against infringement or piracy, may not prevent competitors from developing and marketing products that are similar to or competitive with Sleep Number beds, biosignal monitoring or other products, and may be costly and time-consuming to protect and enforce. The Company's patents are also subject to varying expiration dates. In addition, the laws of some foreign countries may not protect its intellectual property rights and confidential information to the same extent as the laws of the U.S. If the Company is unable to protect and enforce its intellectual property, the Company may be unable to prevent other companies from using the Company's

technology or trademarks in connection with competitive products, which could adversely affect the Company's sales, profitability, cash flows and financial condition.

The Company is from time to time subject to claims that its products, processes, advertising, or trademarks infringe the intellectual property rights of others. The defense of these claims, even if ultimately successful, may result in costly litigation, and if the Company is not successful in its defense, it could be subject to injunctions and liability for damages or royalty obligations, and the Company's sales, profitability, cash flows and financial condition could be adversely affected.

### **Risks Related to the Company's Reliance on Third Parties and Reliance on a Global Supply Chain**

***The Company relies upon several key suppliers and third parties that are, in some instances, the only source of supply or services currently used by the Company for particular materials, components, products, systems, services, or consumer financing. A disruption in the supply or substantial increase in cost of any of these products or services has, and could continue to, harm the Company's sales, profitability, cash flows, availability of credit, and financial condition.***

Sleep Number currently obtains all the materials and components used to produce its smart beds from outside sources including some that are located outside the U.S. In several cases, including its air chambers, integrated non-adjustable foundations, adjustable foundations, various components for its Firmness Control and Smart Control systems, certain electronic componentry, certain foam formulations, as well as its fabrics and zippers, the Company obtains these materials, components and products from suppliers who serve as the only source of supply, or who supply the vast majority of the Company's needs of the particular material, component or product. While the Company believes that some of these materials, components and products, or suitable replacements, could be obtained from other sources in the event of a disruption or loss of supply, it has not been able to, and in the future may not be able to, find alternative sources of supply or alternative sources of supply on comparable terms, quantities and timelines. If the Company's relationship with these suppliers or the suppliers' services are disrupted, terminated or otherwise negatively impacted, including by consolidations in the industry or by government actions, such as the imposition of tariffs or other trade restrictions, the Company could have difficulty in replacing these sources since there are relatively few other suppliers presently capable of manufacturing these components and products or that offer similar services. Constraints on the ability of certain of its suppliers to timely meet commitments, including in an environment of increased demand for consumer products and services and labor challenges, has, and may continue to, adversely impact the Company's ability to meet its products and services demand, result in additional costs, or otherwise adversely impact the Company's business, operations and financial results.

The Company also relies on limited critical suppliers for its information technology systems and services and e-commerce as well as Synchrony Financial for the majority of its consumer financing services. If the Company's relationship with these suppliers or the suppliers' services are disrupted, terminated or otherwise negatively impacted, the Company could have difficulty in replacing these systems, services and e-commerce in a timely and cost-effective manner, adversely impacting the Company's sales, profitability, cash flows, availability of credit, and financial condition.

In addition, third parties on which the Company relies, for various reasons have demanded or required or may demand or require changes to their payment terms and frequency, credit limits and exposures, or other contractual terms with the Company. As a part of its turnaround strategy and cost savings and operational efficiencies, the Company has and will continue to carefully manage its cash, including extending payment terms and delaying payments. If the Company is unable to accommodate or otherwise resolve third-party demands, changes to contractual terms or perceived deterioration of its credit worthiness, the Company's supply of goods, products and services from these third parties could be disrupted, terminated or otherwise negatively impacted and the Company may not be able to or could have difficulty in replacing the supply of such goods, products and services in a timely and cost-effective manner, adversely impacting the Company's sales, profitability, cash flows, availability of credit, and financial condition.

***Fluctuations in commodity prices or availability, or third-party delivery or logistics costs, have resulted, and could continue to result, in an increase in component costs and/or delivery costs.***

The Company's business is subject to significant increases or volatility in the prices or availability of certain commodities, including but not limited to electronic componentry, fuel, oil, natural gas, rubber, cotton, plastic resin, corrugate, steel and chemical ingredients used to produce foam, as well as third-party logistic costs. Tariffs on these commodities, increases in prices of these commodities or logistics costs, supply shortages or other inflationary pressures have resulted, and may

continue to result, in significant cost increases for the Company's raw materials and product components, as well as increases in the cost of delivering its products to customers. The Company has been, and may continue to be, unable to offset any such increased costs through value engineering and similar initiatives, or through price increases or availability, and, as a result, the Company's profitability, cash flows and financial condition have been, and may continue to be adversely impacted. Price increases to offset the increased costs, have, and may continue to, adversely impact the Company's sales volumes.

The Company relies on third parties to deliver some of its products to its facilities and customers on a timely and cost-effective basis. These third-party providers could be vulnerable to labor challenges, liquidity concerns, the impacts of global health conditions, or other factors that may result in disruption, delays in deliveries or increased costs of deliveries. Any significant delay in deliveries to its customers could lead to increased cancellations or returns and cause the Company to lose sales or incur increased costs. Delays in deliveries and increases in freight charges or other costs of deliveries has and could continue to harm the Company's sales, profitability, cash flows and financial condition.

***The Company's business is subject to risks inherent in global sourcing activities.***

Sleep Number's air chambers, certain electronic components, and some of its other components are manufactured outside the U.S., and therefore are subject to risks associated with foreign sourcing of materials, including but not limited to:

- Existing or potential duties, tariffs or quotas on certain types of goods that may be imported into the U.S., including recent and proposed unilateral tariffs, tariffs on certain goods from China and Mexico, tariffs on goods subject to the United States-Mexico-Canada Agreement (USMCA), and recent and proposed tariffs on materials such as steel;
- Foreign regulations that may impact availability or cost of supply;
- Political instability, unrest, geopolitical turmoil, acts of terrorism, global conflicts, including geopolitically challenging situations in regions such as Russia, the Middle East and China, outbreaks of pandemics or contagious diseases, shipping delays, foreign or domestic strikes, customs inspections, changes in immigration rates, laws, and enforcement, or other factors resulting in disruption in supply, transportation, trade, labor, or the availability of global contractors utilized in the Company's business operations;
- Foreign currency fluctuations;
- Economic uncertainties, including inflation and policies that may have an inflationary effect, such as tariffs; and
- Adverse weather conditions, climate change or other natural or man-made disasters.

The Company cannot predict whether the countries in which some of its components are manufactured, or may be manufactured in the future, or where the Company contracts for labor will be subject to new or additional trade restrictions imposed by the U.S. or other foreign governments, including the likelihood, type, or effect of any such restrictions. The U.S. government has implemented certain trade policies, including imposing and proposing tariffs on most of our foreign suppliers. A significant portion of the Company's imports are subject to the USMCA, so any changes increasing tariffs under the USMCA would have negative consequences. Similarly, some of the Company's third-party suppliers have disclosed that they may source, directly or indirectly, a portion of their supply chain requirements of 3TGs or fabrics from China, which materials have generally been under scrutiny for potential ties to Uyghur forced labor camps. These factors have, and could continue to, increase the costs of doing business with foreign suppliers, lead to inadequate inventory levels or delays in shipping products to customers, or the need to find new sources for certain materials on short notice, which could harm the Company's sales, customer satisfaction, profitability, cash flows and financial condition.

The locations where Sleep Number and its suppliers and global contractors operate have experienced, and may experience in the future, adverse regional events such as extreme weather conditions, climate change and other natural and man-made disasters, which could have a significant adverse effect on the Company, its ability to source necessary materials, components and products, and its ability to develop, launch, sell and deliver its products to customers. Climate change may increase the frequency and severity of adverse weather conditions and other natural disasters. All regions of the U.S. and warmer climates globally may be particularly impacted by extreme weather, such as hurricanes, natural disasters, droughts, wildfires and rising sea levels. These events have disrupted, and may continue to, disrupt the Company's operations and ability to source components and products.

***The Company has been, and could continue to be, vulnerable to shortages in supply of components necessary to manufacture its products due to its manufacturing processes which operate with minimal levels of inventory or due to global shortages of supply of electronic componentry or other materials, unexpected increased consumer demand or inadequate demand forecasting, which, in turn, has and may continue to harm its ability to satisfy consumer demand and adversely impact the Company's sales and profitability.***

A significant percentage of the Company's products are assembled after it receives orders from customers utilizing manufacturing processes with minimal levels of raw materials, work-in-process and finished goods inventories. Lead times for ordered components may vary significantly, and some components used to manufacture its products are provided on a sole source basis. The Company's ongoing efforts to mitigate supply chain weaknesses may not be successful or may have unfavorable effects such as increased storage costs or excess supply. Shortage of materials caused by disruptions and unavailability of supply, an increase in the demand for some or all of its products or inability to adequately forecast supply needs, has harmed and could continue to harm the Company's ability to satisfy customer demand, delay deliveries of its products to customers, lead to customer cancellations and returns, delay the development and launch of new products, and increase its costs. These risks have been and will continue to be exacerbated by developments in the semiconductor and technology supply chain, including increased global demand for more sophisticated, high-performance computing and artificial intelligence-related chips, which has and will continue to strain and divert manufacturing capacity and supplier resources from the production of lower-capacity or legacy chips that remain critical to many of the Company's products. In addition, the Company may carry some excess inventory of certain components for various products from time to time especially when the Company has faced component shortages or when the Company introduces new products that use different components, and if the Company is unable to use that excess inventory fully or timely, the Company may run the risk of obsolescence, which could result in write-downs of inventory and an adverse effect on gross margins. As the Company executes its turnaround strategy, and has launched and is launching new products, for a product transition that repositions the brand and reduces its core lineup from twelve mattresses to seven mattresses, including five new mattresses, on a faster timeline than any prior product launches, it has incurred and may continue to incur inventory obsolescence related to this significant product transition. Any such impacts or delays have and may continue to adversely affect the Company's sales, customer satisfaction, profitability, cash flows and financial condition.

#### **Risks Related to the Company's Vertically Integrated Business Model**

***Disruption to the Company's facilities and operations could increase its costs of doing business or harm the Company's ability to satisfy customer demand, develop, test and launch new products, and service its products and customers.***

As a vertically integrated business, the Company has various facilities and operations including manufacturing, assembly, distribution, logistics, field services, home delivery, headquarter, product development, retail and customer service. Sleep Number operates a dedicated cut and sew facility for cover production in Irmo, SC and an advanced engineering and prototyping facility in Salt Lake City, UT. Each of these facilities are combined with an assembly distribution center (ADC). There are three additional ADCs (Minneapolis, MN; Cincinnati, OH; and Dallas, TX). The five ADCs leverage component inventory to pre-assemble 100% of its mattresses to order rather than stocking finished goods. The Company has field service and home delivery operations and contractors that deliver and service its products across the country as well as a bedding fulfillment center that ships bedding products to consumers via third-party services. The product development and testing operations primarily occur in the Company's corporate headquarters in Minneapolis, Minnesota and Sleep Number Labs facility in San Jose, California. Sleep Number's customer service operations are largely remote positions with team members located across the country and international third-party contractors, and the Company has retail stores across the country. Disruption to any of the Company's operations, facilities, workforce, third-party contractors, or the Company's nationwide logistics network, could harm or delay its ability to satisfy customer demand, develop, test and launch new products, service its products and customers, and increase its costs. While the Company's metrics related to customer's experience indicate that the customer experience has improved over prior year, the Company's customer service operations remain reliant on third-party contractors. Such impacts and delays could adversely affect the Company's sales, customer satisfaction, profitability, cash flows, availability of credit, and financial condition.

***Any future acquisitions, business combinations or divestitures the Company completes involve a number of risks, the occurrence of which could adversely affect the Company's business, reputation, operating results and financial condition.***

The Company's ability to complete future acquisitions, business combinations or divestitures will depend, in part, on the availability of suitable candidates at acceptable prices, terms, and conditions; the Company's ability to compete effectively for transaction candidates; and the availability of capital and personnel to complete such transactions and run the resulting operations effectively. The benefits of the transaction may take more time than expected to develop, integrate into or divest from the Company's operations, and the Company cannot guarantee that future transactions will, in fact, produce any benefits. Such transactions may involve a number of risks, the occurrence of which could adversely affect the Company's business, reputation, operating results and financial condition, including: (i) diversion of management's attention; (ii) disruption to the Company's existing operations and plans or the inability to effectively manage the Company's expanded operations; (iii) reallocation of amounts of capital from other operating initiatives and/or an increase in the Company's leverage and debt service requirements to fund any such transactions, which could in turn restrict the Company's ability to access additional capital when needed or pursue other important elements of its business strategy; (iv) infringement by acquired businesses of intellectual property rights of others; (v) violation of confidentiality, intellectual property and non-compete obligations or agreements by employees of an acquired business or lack of or inadequate formal intellectual property protection mechanisms in place at an acquired business; (vi) inaccurate assessment of additional post-transaction investments, undisclosed, contingent, tax or other liabilities or problems, unanticipated costs associated with an acquisition, and an inability to recover or manage such liabilities and costs; (vii) incorrect estimates made in the accounting for transactions and incurrence of non-recurring charges, including restructuring charges in connection with any future effort to reduce costs and streamline operations; and (viii) additional risks that may arise as a result of the transaction with international entities, including managing international laws and regulations applicable to the business, operations and personnel.

#### **Risks Related to Workforce**

***The Company's operating performance, profitability, and future growth depend upon its ability to attract, retain and motivate qualified and effective personnel.***

As a vertically integrated manufacturer and retailer, the Company's future growth and profitability will depend upon its ability to attract, retain and motivate qualified personnel in a wide variety of areas to execute its growth strategy, including qualified management and executive personnel, retail sales professionals and managers, and manufacturing, home delivery and technical personnel. In addition, the Company's success will depend upon the effectiveness of its organizational leadership and managers as well as the capabilities of its team members; some of these risks may be heightened while the Company executes its turnaround strategy and ongoing cost savings and operational efficiencies. Labor challenges or other economic factors may prevent the Company, and its suppliers and vendors, from successfully hiring and retaining qualified personnel especially for critical business functions. The failure to attract, retain and motivate qualified personnel or the lack of effective organizational leadership, management or appropriate team capabilities or resources may hinder the Company's ability to execute its turnaround strategy, growth initiatives, business operations, and may adversely impact the Company's sales, profitability, cash flows and financial condition.

Certain portions of the Company's workforce, in particular its home delivery, logistics, manufacturing, warehouse, and retail, may seek to unionize or engage in unionization activities. Such activities may cause distraction from the Company's core business, reduce the Company's ability to manufacture, sell, or deliver its products, increase the Company's costs, reduce efficiency, and adversely impact the Company's sales, profitability, cash flows and financial condition.

#### **Risks Related to Legal Compliance and Legal Proceedings**

***The Company's business is subject to a wide variety of government laws and regulations. These laws and regulations, as well as any new or changed laws or regulations, could disrupt the Company's operations or increase its compliance costs. Failure to comply with such laws and regulations could have further adverse impacts on the Company's operations.***

The Company is subject to a variety of laws and regulations. Laws and regulations at the international, federal, state and local levels frequently change and the Company cannot always reasonably predict the impact from, or the ultimate cost of compliance with, future regulatory or administrative changes. Changes in law, the imposition of new or additional

regulations or the enactment of any new or more stringent legislation that impacts employment and labor, trade, advertising claims, marketing practices, pricing, consumer credit offerings, “do not call/mail” requirements, text messaging requirements, product testing and safety, health and wellness product requirements, use of artificial intelligence, transportation and logistics, health care, tax, accounting, privacy and data security, health and safety or environmental issues, warranty disclosures, delivery timing requirements, accessibility requirements, among others, could require the Company to change the way it does business and could have a material adverse impact on the Company’s sales, profitability, cash flows and financial condition. New or different laws or regulations could increase direct compliance costs for the Company or may cause its vendors to raise the prices they charge the Company because of increased compliance costs. Further, the adoption of a multi-layered regulatory approach to any one of the state or federal laws or regulations to which the Company is currently subject, particularly where the layers are in conflict, could require alteration of its manufacturing processes or operational parameters which may adversely impact the Company’s business.

Legislative or regulatory changes that impact the Company’s relationship with its workforce, such as minimum wage requirements or health insurance or other employee benefits mandates, could increase the Company’s expenses and adversely affect its operations. While it is Sleep Number’s policy and practice to comply with legal and regulatory requirements and its procedures and internal controls are designed to promote such compliance, the Company cannot assure that all of its operations will comply with all such legal and regulatory requirements. Further, laws and regulations change over time and the Company may be required to incur significant expenses, modify its operations, or delay new product introductions in order to ensure compliance. This could harm the Company’s profitability, cash flows and financial condition. If Sleep Number is found to be in violation of any laws or regulations, it could become subject to fines, penalties, damages or other sanctions as well as potential adverse publicity or litigation exposure. This could adversely impact the Company’s business, reputation, sales, profitability, cash flows and financial condition.

### **Risks Related to the Company’s Information Systems and Cybersecurity**

***Information systems that contain confidential Company data, consumers’ personal information, and team members’ personal information may be subject to attacks by hackers or other cyber threats that could compromise the confidentiality, integrity, and availability of the data, which could substantially disrupt the Company’s business and could result in a breach of the data.***

The Company’s information systems and information systems of third-party vendors it uses to assist in the storage and management of information, including on-premise and cloud-based systems, contain personal, financial, and SleepIQ® data and information related to its customers and team members collected and maintained in the ordinary course of its business. These information systems also contain confidential Company data regarding its business and innovations. The Company’s use and dependence on its information systems requires data storage in cloud-based systems. While the Company maintains, and requires the Company’s third-party vendors to maintain, security measures to protect this information, a breach of these security measures, such as through third-party action and attacks, team member error, access to its data and systems, malfeasance or otherwise, could compromise the security of the Company’s data and customers’ and team members’ personal information. Like many other businesses, Sleep Number has and will likely continue to experience cyber-based attacks and incidents from time to time. As the techniques used to breach security measures change frequently and may not be recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventive measures. In addition, the Company or its third-party vendors may not be successful in timely identification or containment of cyber-based attacks and incidents. Any failure of the Company’s systems and processes or its third-party vendors’ systems and processes to adequately protect its data or customer or team member personal information from exposure, theft or loss could adversely impact the Company’s business, reputation, sales, profitability, cash flows and financial condition.

***Advancements in and adoption of, or the failure to effectively adopt, artificial intelligence and related technologies may increase cost and risks associated with competition, regulatory requirements, and cybersecurity threats.***

Rapidly evolving technological and regulatory developments related to artificial intelligence and related technologies may increase competitive, legal, and security risks facing the Company. To effectively compete, the Company needs identify and evolve with emerging technological and broader industry trends, including technologies such as artificial intelligence and related technologies as well as to develop appropriate protections, safeguards, and policies for handling the processing of data. In addition, the regulatory and legal landscape regarding artificial intelligence is rapidly evolving and the Company may be challenged to timely comply in a cost-effective manner. Any actual or perceived failure to effectively

adopt artificial intelligence or related technologies, comply with evolving regulatory frameworks regarding, or if adoption introduces bias or other issues, the development and use of artificial intelligence could adversely affect the Company's business operations, reputation, customer satisfaction, profitability, cash flows and financial condition. In addition, new artificial intelligence technologies may increase the risk of internal or external data loss, misappropriation of intellectual property, and enable cyber-attackers to create increasingly effective and powerful methods of cyber-attack, including, for example, the development of malicious code, denial-of-service attacks, use of quantum computing, sophisticated phishing attempts, and other attacks. The Company may not be able to sufficiently identify, withstand, and contain such attacks, which may cause disruption to business operations and harm the Company's sales, customer satisfaction, profitability, cash flows and financial condition.

***Any maintenance, improvements or upgrades to information systems and services that may be required to meet the ongoing and evolving needs of the Company's business and cybersecurity needs as well as existing and emerging regulatory requirements may be costly to implement, may take longer or require greater resources than anticipated and may result in disruptions to its systems or business.***

The Company depends on its information systems and services for many aspects of its business including those provided by suppliers and third parties. Sleep Number has and may continue to have disruptions or outages to these information systems and services that negatively impact its business and systems. If the Company's information systems and services or if any suppliers or other third-parties' information systems and services upon which the Company relies are disrupted in any material way, or maintenance, improvements or upgrades are required to meet the ongoing or evolving needs of its business, cybersecurity needs, and existing and emerging regulatory requirements, then the Company may be required to incur significant capital expenditures in the pursuit of continuity, improvements or upgrades to its information systems and services. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, and may cause short-term disruptions, fines, security vulnerabilities to, or otherwise negatively impact the Company's existing systems and business. Any of these outcomes could impair the Company's ability to achieve critical strategic initiatives and could adversely impact the Company's sales, profitability, cash flows and financial condition.

### **Risks Related to the Company's Stock**

***The Company's stock price has and may continue to fluctuate and the Company's financial results, removal from various stock indices and other factors have and may continue to adversely affect the Company's stock price.***

The Company's stock price has and may continue to fluctuate significantly in response to numerous factors such as: the overall performance of the equity markets and the economy as a whole; the Company's financial and operating performance, which may fluctuate due to the risk factors set forth herein; changes in the financial projections the Company or third parties may provide to the public or the Company's failure to meet these projections; actual or anticipated changes in its growth rate relative to that of its competitors; inclusion or removal from various stock indices; significant stock trades by large shareholders; failure of securities analysts to maintain coverage of the Company; changes in financial estimates by securities analysts who follow the Company or its failure to meet these estimates or the expectations of investors; sales of shares of the Company's common stock by Sleep Number or its shareholders particularly sales by its directors, executive officers and significant shareholders or the perception that these sales could occur. Although the Company's common shares are listed on the Nasdaq Stock Market, the volume of trades on any given day may be limited and, as a result, shareholders might not be able to sell or purchase its common shares at the volume, price or time desired.

***A substantial amount of the Company's stock is held by a small number of large investors and significant sales of its common stock by one or more of these holders could adversely affect the Company's stock price.***

As of January 2, 2026, the Company's 25 largest holders of common stock were investors who held approximately 79% of the outstanding shares of common stock in the aggregate. These investors have sold and may sell some or all of their shares at any time for a variety of reasons, and such sales could depress the market price of the Company's common stock, which could adversely affect the Company's stock price. In addition, any such sales of the Company's common stock by these entities could also impair its ability to raise capital through the sale of additional equity securities.

***The Company's business could be negatively affected as a result of shareholder activism.***

While the Company welcomes shareholders' constructive input, the Company could be negatively affected as a result of shareholder activism, which could cause the Company to incur significant expense, disrupt the execution of its business strategy, and impact the performance of its stock price. The Company has been, and may continue to be, the subject of shareholder activism, and it is subject to the risks associated therewith. Responding to shareholder activism, including proxy contests, requires significant time and attention from management and the Board, potentially interfering with the Company's ability to execute its strategic plan. The Company may be required to incur significant legal fees and other expenses, and the attention of management may be diverted by such activism. Any of these impacts could materially and adversely affect the Company's business and operating results, and the Company's stock price has experienced, and may continue to experience, fluctuation or otherwise be adversely affected by shareholder activism.

***If securities analysts do not publish, or cease publishing, research or reports about the Company, the Company's business, or if they change their recommendations regarding the Company's stock adversely, the price of the Company's common stock and trading volume could decline.***

The trading market for the Company's common stock could be influenced by any research and reports that securities or industry analysts publish about the Company, the Company's business or the Company's market. If one or more of the analysts who covers the Company downgrades the Company's common stock or publishes inaccurate or unfavorable research about the Company, the Company's business or the Company's market, the price of the Company's common stock would likely decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on the Company regularly, demand for the Company's common stock could decrease, which could cause the price of the Company's common stock and trading volume to decline.

**Risks Related to Tax Treatment**

***Unfavorable tax treatment may adversely affect the Company's financial condition.***

The Company's effective tax rate could be adversely affected by changes in the valuation allowance of deferred tax assets or changes in tax laws. The Company has significant deferred tax assets and must generate sufficient earnings of the appropriate character in order to utilize its deferred tax assets. If the Company's earnings remain flat or decline over an extended period of time, it may not be able to utilize its deferred tax assets and it has and may in the future need to record a valuation allowance against them that could adversely affect its results of operations, cash flows and financial condition in the period in which the valuation allowance is recorded. As of January 3, 2026, a valuation allowance of \$55.3 million has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

**Risks Related to Environmental, Social and Governance Matters**

***The Company's priorities and progress with respect to sustainability, or Environmental, Social and Governance (ESG), matters, and scrutiny and evolving expectations from the public, investors, regulators, vendors, and other stakeholders may expose the Company to numerous risks, including risks to its reputation and stock price, additional costs, and compliance risks.***

Different stakeholder groups have divergent views on ESG matters such environment, climate change, health and safety, supply chain management, diversity, equity and inclusion, labor conditions and human rights in the Company's operations and supply chain, which increases the risk that any action or lack thereof with respect to ESG matters may be perceived negatively by at least some stakeholders and adversely impact the Company's reputation and business. Sleep Number's current ESG priorities reflect the Company's strategic plans and aspirations and are not guarantees that it will be able to achieve them. The Company's ability to achieve any ESG-related objectives is subject to numerous risks, many of which are outside of its control, including: the availability and cost of relevant technologies and materials and evolving regulatory requirements affecting relevant standards or disclosures. While some stakeholders may not be satisfied with the Company's ESG practices or initiatives or the speed with which the Company is implementing such initiatives, other stakeholders may be opposed to the implementation of such initiatives at all, which could result in customer backlash or other adverse effects. The ESG performance of the Company's competitors, some of which are subject to more rigorous international ESG-related disclosure regulations, may be better perceived than the Company's, which may result in potential or current customers, suppliers or investors electing to do business with its competitors rather than the Company, and may detract from the Company's ability to attract or retain employees. Furthermore, the Company's efforts to

accurately report its ESG status under evolving and competing standards has resulted and may continue to result in a lack of consistent or meaningful comparative data from period to period and which has and could result in revisions to the Company's ESG priorities and reported progress. The Company's failure, or perceived failure, to pursue or fulfill its ESG priorities or to satisfy various reporting standards may present numerous operational, reputational, competitive, financial, legal, government enforcement action and other risks, any of which could have a material adverse impact, including on the Company's reputation, stock price, and results of operations, cash flows and financial condition.

The SEC adopted climate disclosure rules, which would have required new climate-related disclosures in SEC filings, including certain climate-related metrics and greenhouse gas emissions data, information about climate-related targets and goals, transition plans, if any, and extensive attestation requirements. However, these climate-related disclosure rules remain stayed pending litigation in the Eighth Circuit Court of Appeals. The SEC has withdrawn its defense of the rules, creating uncertainty regarding their future applicability. At the state level, California has enacted legislation that would require the Company to make broad-based climate-related disclosures, and other states are considering similar measures. In addition to requiring companies to quantify and disclose direct emissions data, the California rules seek disclosure of climate impact arising from companies' operations, their business partners and the end-users of their products. The Company is refining its measurements and readiness to report under the California rules. Sleep Number has and will continue to incur costs relating to the collection, review and assurance for required disclosures of climate-related information and may experience increased costs, litigation, regulatory, business, reputation, or other risks.

***Climate change and legal or regulatory responses may adversely affect the Company's business, operations and financial condition.***

Climate change presents various near- and long-term risks that may adversely impact the Company's business. The enactment of certain laws and regulations to address or limit the effects of climate change, or changes to existing laws and regulations, could mandate more restrictive standards or require such changes on a more accelerated time frame. The consequences of climate change and the ensuing governmental regulations could disrupt the Company's operations or harm its ability to source necessary materials and components and manufacture its products, which may adversely affect the Company's financial condition. If public perception of Sleep Number's compliance with laws and regulations related to climate change is negative, it could adversely affect the Company's business, reputation and shareholder perception. Adverse publicity or climate-related litigation that impacts the Company could also have a negative impact on its business.

Extreme weather, natural disasters, power outages, or other unexpected climate-related events could result in physical damage to and complete or partial closure of one or more of the Company's manufacturing, distribution centers or other facilities or those of its suppliers, temporary or long-term disruption in its supply chain or logistics, disruption of or harm to the Company's workforce and/or disruption of its ability to deliver products to customers. Current or future insurance arrangements may not provide protection for costs that may arise from such events, particularly if such events are catastrophic in nature or if multiple such events occur. Climate change may also subject the Company's business to significant increases or volatility in the prices of certain commodities, including but not limited to electronic componentry, fuel, oil, natural gas, rubber, cotton, plastic resin, corrugate, plywood, steel and chemical ingredients used to produce foam, as well as third-party logistic costs. Further, the long-term effects of climate change on general economic conditions and the Company's industry in particular are unclear, and changes in the supply, demand, or available sources of energy and the regulatory and other costs associated with energy production and delivery may affect the availability or cost of goods and services, including natural resources, necessary to run its business. Any long-term disruption in the Company's ability to service its customers from one or more manufacturing, distribution centers or other facilities could have an adverse effect on the Company's results of operations, cash flows and financial condition.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 1C. CYBERSECURITY**

Sleep Number uses a "defense in depth" approach for its cybersecurity risk management program leveraging the National Institute of Standards and Technology (NIST) framework, which organizes cybersecurity risks into five categories: identify, protect, detect, respond and recover. The Company regularly assesses the threat landscape for cybersecurity risks, with a strategy based on prevention, detection and mitigation. The Company's information technology (IT) security team—led by the Chief Product and Enterprise Strategy Officer (CPESO)—reviews cybersecurity risks on an ongoing basis. IT security

team members who support the Company's information security program have relevant educational and industry experience. The CPESO, and their team, provide regular reports to senior management, the Audit Committee, and other relevant teams on various cybersecurity threats, assessments and findings. The IT security team has established policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats (including Generative AI associated risks). These threats are also identified and assessed through the Company's overall risk management program, including quarterly assessments of IT systems, cybersecurity, and related risks. The Company engages in an ongoing review of all cybersecurity events and threats to assess the materiality of each event, if any.

The Company maintains controls and procedures that are designed to ensure prompt escalation of certain cybersecurity incidents so that decisions regarding public disclosure and reporting of such incidents can be made by management and the Audit Committee in a timely manner.

The Company assesses cybersecurity risks on an ongoing basis, including assessing and deploying technical safeguards designed to protect its information systems from cybersecurity threats. The Company has established comprehensive incident response and recovery plans, regularly tests and evaluates the effectiveness of those plans, and maintains cybersecurity risk insurance.

The Company implements processes to identify, prioritize, assess, mitigate and remediate risks associated with third-party service providers. It conducts security assessments of critical third-party providers before engagement and maintains ongoing monitoring to ensure compliance with the Company's cybersecurity standards. The monitoring includes ongoing assessments by the IT security team. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties. The Company also contractually requires third parties it engages to have security programs commensurate with their risk, while retaining certain audit rights for higher risk third parties.

The Company regularly reminds its team members and contractors of the importance of handling and protecting customer and employee data. The Company provides all its team members with dedicated cybersecurity awareness training annually and conducts monthly phishing simulation testing and other cybersecurity awareness campaigns (e.g., intranet articles, cybersecurity awareness month). Further, the Company sponsors a year-long "Cybersecurity Champions Academy" where team members from all across the Company are engaged in a cybersecurity-focused community which more deeply embeds cybersecurity awareness through monthly meetings, topical projects, and cyber-skill sharing.

The Company engages with a range of external experts, including cybersecurity assessors, auditors, and legal counsel, in evaluating and testing its cybersecurity risk management systems. This enables the Company to leverage specialized knowledge, experience and insights, to help ensure its cybersecurity strategies and processes remain current.

- The Company has cybersecurity operations and security engineering capabilities that provide comprehensive monitoring to detect and respond to cyber threats and alerts and execute cyber incident response playbooks. This includes a vulnerability management program which identifies and drives remediation of risks. The Company employs a wide array of industry-leading security platforms and tools.
- The Company has retained data security and data privacy legal counsel whose practices focus on data breach response, information security compliance, and compliance with the data privacy laws in the various jurisdictions in which the Company operates.
- In addition, the Company engages specialized consultants and third-party managed service providers on a project-specific basis to assist it with projects that will improve the Company's IT infrastructure, strengthen its security posture and cyber incident investigations, and improve its cyber readiness.

## **Management's Role**

The CPESO has primary operational responsibility for the Company's cybersecurity function. The CPESO has served in various leadership positions for over 20 years, with 3 years specifically leading information technology. The CPESO, and the Chief Legal and Risk Officer have primary responsibility for assessing and managing material cybersecurity risks. This group, and their supporting teams, meets quarterly to review security performance metrics, identify security risks, and assess the status of approved security enhancements. This group also considers and makes recommendations on security policies and procedures, security service requirements, and risk mitigation strategies.

## **Board Oversight**

At the Board level, the Audit Committee is formally tasked with assisting the full Board in overseeing information security systems, including cybersecurity, and reporting to the Board with respect to significant and material developments or proposed changes to the Company's cybersecurity framework. The Audit Committee receives regular reports from the CPESO about the prevention, detection, mitigation, and remediation of cybersecurity incidents, including material security risks and information security threats and risks. The Audit Committee also receives regular updates from management on cybersecurity risk resulting from risk assessments, progress of risk reduction initiatives, and relevant internal and industry cybersecurity incidents and emerging threats.

The Company has not experienced any material security incidents or data breaches as a result of a compromise of its information systems and is not aware of any cybersecurity incidents that have had a material impact, or are reasonably likely to materially effect, its business strategy, operating results, cash flows and financial condition.

## ITEM 2. PROPERTIES

### Retail Locations

Sleep Number currently leases all of its existing retail store locations and expects that its policy of leasing stores, rather than owning stores, will continue. The Company leases its retail stores under operating leases which, in addition to the minimum lease payments, may require payment of a proportionate share of the real estate taxes and certain building operating expenses. The Company retail store leases generally provide for an initial lease term of five to 10 years. In addition, the mall-based retail store leases may require payment of contingent rent based on net sales in excess of certain thresholds. Certain retail store leases may contain options to extend the term of the original lease.

The following table summarizes the geographic locations of Sleep Number's 600 retail stores as of January 3, 2026:

	Retail Stores		Retail Stores		Retail Stores
Alabama	9	Louisiana	10	Ohio	20
Alaska	1	Maine	3	Oklahoma	5
Arizona	14	Maryland	14	Oregon	8
Arkansas	7	Massachusetts	9	Pennsylvania	24
California	62	Michigan	19	Rhode Island	1
Colorado	15	Minnesota	14	South Carolina	10
Connecticut	6	Mississippi	5	South Dakota	2
Delaware	2	Missouri	12	Tennessee	14
Florida	44	Montana	4	Texas	54
Georgia	20	Nebraska	4	Utah	6
Hawaii	2	Nevada	6	Vermont	1
Idaho	3	New Hampshire	4	Virginia	18
Illinois	23	New Jersey	14	Washington	17
Indiana	14	New Mexico	4	West Virginia	3
Iowa	6	New York	19	Wisconsin	11
Kansas	5	North Carolina	20	Wyoming	2
Kentucky	8	North Dakota	2		
			Total		600

### Manufacturing, Distribution and Headquarters

The Company leases its 238,000 square-foot corporate headquarters in Minneapolis, MN. The lease term commenced in November 2017 and runs through October 2032. The lease includes three five-year renewal options.

The Company has five assembly distribution centers (Irmo, SC; Salt Lake City, UT; Minneapolis, MN; Cincinnati, OH; and Dallas, TX) with a combined total square footage of approximately 745,000 square feet. The Irmo, SC facility's lease term ends June 2026. The other four facilities have lease terms ending between December 2029 through July 2032. The leases include one or two, five-year option renewals. The Company also operates a cut and sew manufacturing facility at the same location as its Irmo, SC assembly distribution center and a bedding fulfillment center at the same location as its Cincinnati, OH assembly distribution center. The Company subleases two former assembly distribution centers with lease terms ending May 2028 and April 2030.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company's legal proceedings are discussed in Note 14, *Commitments and Contingencies*, Legal Proceedings, of the Notes to Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Sleep Number's common stock trades on The Nasdaq Stock Market LLC (Nasdaq Global Select Market) under the symbol "SNBR." As of January 31, 2026, there were approximately 174 holders of record of Sleep Number common stock.

Under the Company's Credit Agreement, the Company is restricted from paying cash dividends, subject to narrow exceptions. However, Sleep Number has not historically paid, and has no current plans to pay, cash dividends on the Company's common stock.

Information concerning share repurchases completed during the fourth quarter of fiscal 2025 is set forth below:

Period	Total Number of Shares Purchased <sup>(1)(2)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(3)</sup>
September 28, 2025 through October 25, 2025	523	\$ 6.94	—	\$ 348,071,000
October 26, 2025 through November 29, 2025	34,617	\$ 5.27	—	348,071,000
November 30, 2025 through January 3, 2026	1,560	\$ 8.32	—	348,071,000
Total	36,700	\$ 5.43	—	\$ 348,071,000

<sup>(1)</sup> Sleep Number did not repurchase any shares during the three months ended January 3, 2026 under its Board-approved \$600 million share repurchase program (effective April 4, 2021).

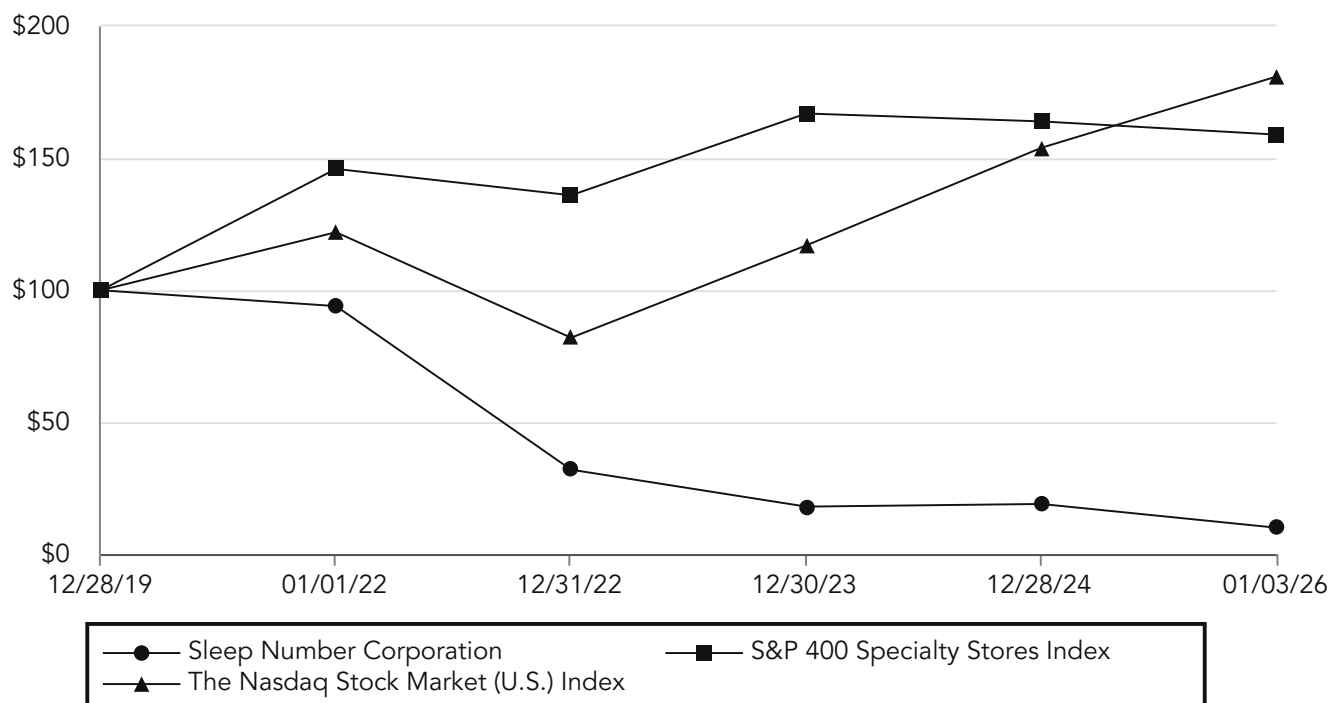
<sup>(2)</sup> In connection with the vesting of employee restricted stock grants, the Company repurchased 36,700 shares of its common stock at a cost of \$199,000 during the three months ended January 3, 2026.

<sup>(3)</sup> There is no expiration date governing the period over which the Company can repurchase shares under its Board-approved share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

## Comparative Stock Performance

The graph below compares the total cumulative shareholder return on Sleep Number’s common stock over the last five years to the total cumulative return on the Standard and Poor’s (S&P) 400 Specialty Stores Index and The Nasdaq Stock Market (U.S.) Index assuming a \$100 investment made on December 28, 2019. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance. The information contained in this “Comparative Stock Performance” section shall not be deemed to be “soliciting material” or “filed” or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically requests that it be treated as soliciting material or incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN  
AMONG SLEEP NUMBER CORPORATION, S&P 400 SPECIALTY STORES INDEX,  
AND THE NASDAQ STOCK MARKET (U.S.) INDEX



	12/28/19	01/01/22	12/31/22	12/30/23	12/28/24	01/03/26
Sleep Number Corporation	\$ 100	\$ 94	\$ 32	\$ 18	\$ 19	\$ 10
S&P 400 Specialty Stores Index	\$ 100	\$ 146	\$ 136	\$ 167	\$ 164	\$ 159
The Nasdaq Stock Market (U.S.) Index	\$ 100	\$ 122	\$ 82	\$ 117	\$ 154	\$ 181

## ITEM 6. RESERVED

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

***The discussion in this Annual Report contains certain forward-looking statements that relate to future plans, events, financial results or performance. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "plan," "project," "predict," "intend," "potential," "continue" or the negative of these or similar terms. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and present expectations or projections. These risks and uncertainties include, among others:***

- Changes in economic conditions and consumer sentiment and related impacts on discretionary consumer spending;
- Interest rates remain elevated, and may further increase and impact the cost of servicing the Company's indebtedness;
- Availability of attractive and cost-effective consumer credit options;
- Ability to achieve the improvements, growth, cost savings, efficiencies and other benefits related to its turnaround strategy to avoid adverse effects and the costs to implement its turnaround strategy;
- Ability to continue as a going concern;
- Access to additional capital and its access to such capital or alternative financing options may depend on factors beyond the Company's control or require the Company to accept unfavorable terms;
- Ability to manage our credit agreement, which contains financial covenants and other restrictions on our actions;
- Effectiveness and efficiency of the Company's marketing strategy and promotions;
- Ability to execute Sleep Number's Total Retail distribution strategy;
- Ability to compete effectively;
- Ability to achieve and maintain high levels of product and service quality;
- Ability to improve and expand the product line, anticipate and respond to changing consumer trends, and execute new product introductions;
- Ability to protect the Company's technology, trademarks and brand, and the adequacy of its intellectual property rights;
- Dependence on, and ability to maintain working relationships with key suppliers and third parties, including some that are the only source of supply or services currently used by the Company;
- Fluctuations in commodity prices or third-party delivery or logistics costs and other inflationary pressures;
- Risks inherent in global-sourcing activities, including tariffs, foreign regulation, geo-political turmoil, war, pandemics, labor challenges, foreign currency fluctuations, inflation, climate or other disasters and resulting supply shortages, and production and delivery delays and disruptions;
- Operating with minimal levels of inventory, which may leave the Company vulnerable to supply shortages;
- Risks of disruption in the operation of any of the Company's facilities and operations, including manufacturing, assembly, distribution, logistics, field services, home delivery, headquarters, product development, retail or customer service operations;
- Ability to effectively complete potential future acquisitions, business combinations or divestitures;
- Sleep Number's ability, and the ability of its suppliers and vendors, to attract, retain and motivate qualified and effective personnel;
- Ability to comply with existing and changing government regulations and laws;
- Ability to identify and withstand cyber threats that could compromise the security of the Company's systems or those of third parties upon which it relies and could result in a data breach or business disruption;
- Risks associated with advancements in, adoption of, or the failure to effectively adopt, artificial intelligence and related technologies;
- Adequacy of the Company's and third-party information systems, and costs and disruptions related to upgrading or maintaining these systems;

- Volatility of Sleep Number stock, its removal from various stock indices and the potential negative effects of shareholder activism or of changes in coverage by securities analysts;
- Unfavorable tax treatment;
- Environmental, social and governance risks, including increasing scrutiny and evolving regulatory and stakeholder expectations; and
- Ability to adapt to climate change and readiness for legal or regulatory responses thereto.

**Additional information concerning these and other risks and uncertainties is contained under the caption “Item 1A. Risk Factors” in this Annual Report on Form 10-K.**

Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide a reader of the Company’s consolidated financial statements with a narrative from the perspective of management on its financial condition, results of operations, liquidity and certain other factors that may affect its future results. The Company’s MD&A is presented in the following sections:

- Business Overview
- Results of Operations
- Liquidity and Capital Resources
- Non-GAAP Data Reconciliations
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements

## **Business Overview**

Sleep Number is the leader in personalized sleep wellness. Its mattresses are designed to evolve with each sleeper to help them feel and perform their best. With adjustable firmness, pressure-relieving support and temperature balancing comfort built into every mattress, Sleep Number beds adapt to customers’ changing needs, night after night, year after year.

2025 was a transformational year for Sleep Number. Under the leadership of its new CEO, Linda Findley, who joined the Company in April 2025, the business has undergone change at every level. The Company:

- Created a more streamlined operation designed to enable faster decision-making by consolidating roles across key functions and strengthening accountability;
- Reduced operating costs across the business by \$136 million as compared to 2024, excluding restructuring and other non-recurring costs;
- Added financial flexibility by extending the Credit Agreement through the end of 2027; and
- Executed the Twelfth Amendment to the Amended and Restated Credit and Security Agreement, dated as of February 14, 2018 (as amended, supplemented or otherwise modified from time to time), among U.S. Bank National Association, as Administrative Agent, Swing Line Lender and Issuing Lender, and certain other financial institutions party thereto (the “Credit Agreement”) to amend financial covenants.

With a stronger foundation, in November 2025, the Company introduced its turnaround strategy “Sleep Number Shifts,” a focused, company-wide effort to reposition the brand, expand reach to new customer groups, and reignite growth. The aim is to drive value for shareholders, customers and team members with efforts rooted in the consumer through all dimensions of the business. It is centered on three key areas:

- **Product:** The Company is simplifying its offering with the goal of growing its customer base while building on the demand from repeat customers
- **Marketing:** The Company is modernizing its efforts by expanding channels and reach with new creative to better connect with today’s consumer and drive engagement with a focus on better ROI
- **Distribution:** The Company is focused on optimizing store footprint as well as exploring opportunities to expand distribution into new channels, both physical and digital.

“Sleep Number Shifts” is being implemented as the Company continues to execute cost savings and operating efficiencies, including real estate optimization and right-sizing the fixed cost base. While the Company is focused on implementing the “Sleep Number Shifts” and executing cost savings and operating efficiencies, it faces liquidity challenges. See “Risk Factors—Risks Related to Indebtedness and Liquidity.”

## Results of Operations

Financial Highlights for Fiscal 2025 were as follows:

- Net sales for 2025 decreased 16% to \$1.4 billion, compared with \$1.7 billion in 2024. Demand was impacted by ongoing industry demand pressure and lower store traffic. In addition, 2025 included 53 weeks compared with 52 weeks in the prior year, with the extra week benefiting 2025 net sales by approximately \$25 million. For additional details, see the components of total net sales growth on page 39.
- The net sales change resulted from a 17% comparable sales decrease in Total Retail. For additional details, see the components of total net sales change on page 39.
- Average sales per store (sales for stores open at least one year, Total Retail, including online, phone and chat, adjusted for the additional 53rd week) for the year ended January 3, 2026 totaled \$1.9 million, compared with \$2.6 million for the same period last year.
- Gross profit margin of 59.0% was 0.6 percentage points (ppt.) lower than the prior-year. For additional details, see the gross profit discussion on page 40.
- The \$100 million year-over-year reduction in the Company’s operating expenses was due to sales and marketing expenses decrease of \$102 million, general and administrative expenses decrease of \$19 million, and research and development expenses decrease of \$11 million, partly offset by an increase in restructuring costs of \$33 million when compared to 2024.
- Operating loss for 2025 was \$47 million compared to operating income of \$23 million for 2024. The \$69 million decrease in operating income in the current year was driven by the lower gross profit, partially offset by the Company’s \$100 million reduction in total operating expenses. The Company’s 2025 operating loss rate was impacted by the deleveraging impact of the 16% decrease in net sales.
- Adjusted EBITDA for 2025 was \$78 million, compared to \$120 million in 2024 due to year-over-year net sales decline offset by ongoing cost reduction actions. For additional details, see *Non-GAAP Data Reconciliations* section on page 44.
- Income tax expense in 2025 was \$36.0 million, compared to income tax benefit of \$5.2 million in 2024. In 2025, the Company recorded a \$55 million valuation allowance on its deferred income taxes resulting primarily from its inability to utilize certain net operating losses and state R&D tax credits. This was partially offset by a decrease in income tax expense of \$14 million when compared to 2024 due to higher net loss in 2025.
- Net loss in 2025 was \$132 million, compared with \$20 million in 2024. Net loss per diluted share increased to \$5.77, compared with \$0.90 in 2024.
- The Company’s adjusted return on invested capital (Adjusted ROIC) was negative 4.0% in 2025, compared with 7.6% in 2024. For additional details, see *Non-GAAP Data Reconciliations* section on page 44.
- The Company used \$3 million in cash from operating activities in 2025, compared with generated cash of \$27 million in 2024.
- Free cash flow used \$18 million for the year ended January 3, 2026, compared with free cash flow provided of \$4 million for the same period last year.
- The Company ended 2025 with \$588 million of borrowings under its revolving credit facility, compared with \$547 million at the end of 2024.

The following table sets forth the Company's results of operations expressed as dollars and percentages of net sales. Figures are in millions, except percentages and per share amounts. Amounts may not add due to rounding differences.

	2025		2024		2023	
	\$	Net Sales	\$	Net Sales	\$	% of Net Sales
Net sales	\$ 1,411.5	100.0%	\$ 1,682.3	100.0 %	\$ 1,887.5	100.0 %
Cost of sales	578.5	41.0%	679.5	40.4 %	799.0	42.3 %
Gross profit	833.0	59.0%	1,002.8	59.6 %	1,088.5	57.7 %
Operating expenses:						
Sales and marketing	664.2	47.1%	766.6	45.6 %	847.4	44.9 %
General and administrative	130.7	9.3%	150.0	8.9 %	146.6	7.8 %
Research and development	33.9	2.4%	45.3	2.7 %	55.8	3.0 %
Restructuring costs	50.7	3.6%	18.1	1.1 %	15.7	0.8 %
Total operating expenses	879.5	62.3%	979.9	58.2 %	1,065.6	56.5 %
Operating (loss) income	(46.6)	(3.3%)	22.9	1.4 %	22.9	1.2 %
Interest expense, net	49.4	3.5%	48.4	2.9 %	42.7	2.3 %
Loss before income taxes	(96.0)	(6.8%)	(25.5)	(1.5 %)	(19.8)	(1.0)%
Income tax expense (benefit)	36.0	2.5%	(5.2)	(0.3 %)	(4.5)	(0.2)%
Net loss	\$ (132.0)	(9.3%)	\$ (20.3)	(1.2 %)	\$ (15.3)	(0.8)%
Net loss per share:						
Basic and diluted	\$ (5.77)		\$ (0.90)		\$ (0.68)	
Weighted-average number of common shares:						
Basic and diluted	22.9		22.6		22.4	

The percentage of the Company's total net sales, by dollar volume, was as follows:

	2025	2024	2023
Retail stores	87.6 %	87.6 %	86.8 %
Online, phone, chat and other	12.4 %	12.4 %	13.2 %
Total Company	100.0 %	100.0 %	100.0 %

The components of total net sales change, including comparable net sales changes, were as follows:

	Net Sales Increase/(Decrease)		
	2025	2024	2023
Retail comparable-store sales <sup>(1)</sup>	(17%)	(9%)	(12%)
Online, phone and chat <sup>(1)</sup>	(17%)	(17%)	(15%)
Total Retail comparable sales change <sup>(1)</sup>	(17%)	(10%)	(12%)
Net opened/closed stores and 53rd week	1%	(1%)	1%
Total Company	(16%)	(11%)	(11%)

<sup>(1)</sup> Stores are included in the comparable-store calculation in the 13th full month of operations. Stores that have been remodeled or repositioned within the same shopping center remain in the comparable-store base. Fiscal 2025 included 53 weeks, as compared to 52 weeks for the other periods presented. Total Retail comparable sales have been adjusted to remove the estimated impact of the additional week.

Other sales metrics were as follows:

	2025	2024	2023
Average sales per store (\$ in thousands) <sup>(1)(4)</sup>	\$ 1,946	\$ 2,601	\$ 2,853
Average sales per square foot <sup>(1)(4)</sup>	\$ 629	\$ 841	\$ 926
Stores > \$2 million in net sales <sup>(2)(4)</sup>	32 %	57 %	65 %
Stores > \$3 million in net sales <sup>(2)(4)</sup>	8 %	18 %	24 %
Average revenue per smart bed unit – Total Retail <sup>(3)</sup>	\$ 6,060	\$ 5,818	\$ 5,755

<sup>(1)</sup> Trailing-twelve months Total Retail comparable sales per store open at least one year.

<sup>(2)</sup> Trailing-twelve months for stores open at least one year (excludes Online, Phone and Chat sales).

<sup>(3)</sup> Represents Total Retail net sales divided by Total Retail smart bed units.

<sup>(4)</sup> Fiscal 2025 included 53 weeks, as compared to 52 weeks in fiscal 2024. The additional week in 2025 was in the fiscal fourth quarter. Total Retail comparable sales have been adjusted to remove the estimated impact of the additional week on the twelve months ended January 3, 2026.

The number of retail stores operating was as follows:

	2025	2024	2023
Beginning of period	640	672	670
Opened	6	12	36
Closed	(46)	(44)	(34)
End of period	600	640	672

#### Comparison of 2025 and 2024

##### Net sales

Net sales in 2025 decreased 16% to \$1.4 billion, compared with \$1.7 billion in 2024. The decrease was driven by ongoing industry demand pressure and lower store traffic. The net sales change consisted primarily of a 17% Total Retail comparable sales decrease. In addition, 2025 included 53 weeks compared with 52 weeks in the prior year, with the extra week benefiting 2025 net sales by approximately \$25 million. For additional details, see the components of total net sales change on page 39.

The \$271 million net sales decrease compared with the same period one year ago was primarily comprised of: (i) a \$240 million decrease in the Company's Total Retail comparable net sales; (ii) a \$34 million decrease from phone, online and chat; (iii) a \$22 million decrease resulting from net opened/closed stores in the past 12 months; partially offset by (iv) \$25 million from the additional 53rd week. Total Retail smart bed unit sales decreased 12% compared with the prior year. Average revenue per smart bed unit in Total Retail increased to \$6,060, compared with \$5,818 in the prior-year period.

##### Gross profit

Gross profit for 2025 of \$833.0 million decreased by \$170 million, or 17%, compared with \$1.0 billion in 2024. The 2025 gross profit rate decreased to 59.0% of net sales, compared with 59.6% for the prior-year period. The 0.6 ppt. decrease in the gross profit rate was mainly due to: (i) higher manufacturing costs driven primarily by increased obsolescence, tariffs, and the impacts of lower volume decreased the rate by 1.2 ppt; partially offset by (ii) a favorable product sales mix which increased the rate by 0.3 ppt, (iii) logistics savings and return rate favorability led to a 0.2 ppt. increase, and (iv) pricing increases during the current year benefited the rate by 0.1 ppt.

##### Sales and marketing expenses

Sales and marketing expenses decreased \$102 million to \$664 million in 2025, compared with \$767 million in 2024. The sales and marketing expense rate increased to 47.1% of net sales, compared with 45.6% for the same period one year ago. The current-year sales and marketing expense rate increase of 1.5 ppt. was primarily due to the deleveraging impact of an 16% net sales decrease offset by a 13% decrease in expenses including a 9% lower media spend.

### *General and administrative expenses*

General and administrative (G&A) expenses decreased \$19 million to \$131 million in 2025, compared with \$150 million in 2024, and increased to 9.3% of net sales, compared with 8.9% of net sales one year ago. The \$19 million decrease in G&A expenses mainly consisted of the following: (i) a \$8 million year-over-year decrease in company-wide, performance-based incentive compensation; (ii) a \$5 million decrease in depreciation and amortization; (iii) a \$4 million decrease in employee compensation; and (iv) a \$2 million decrease in other occupancy and miscellaneous expenses. The G&A expenses rate increased by 0.4 ppt. in 2025, compared with 2024 due to the items discussed above in addition to the deleveraging impact of the 16% net sales decrease.

### *Research and development expenses*

Research and development (R&D) expenses decreased \$11 million to \$34 million in 2025, compared with \$45 million in 2024. While the Company's consumer innovation pipeline remains robust, it is re-prioritizing R&D resources in this highly constrained environment. Moving forward, the Company's innovation agenda will focus on maintaining and improving the Company's core technologies and introducing additional advancements, while driving costs out of the product.

### *Restructuring costs*

Restructuring costs increased \$33 million to \$51 million in 2025, compared with \$18 million in 2024. Charges incurred related to this initiative were primarily comprised of contract termination costs, severance and employee-related benefits, professional fees and asset impairment charges. These costs are included in the restructuring costs line in the Company's consolidated statement of operations. The Company expects approximately \$13 million of additional restructuring costs to be incurred during 2026, primarily due to severance and employee-related benefits, contract termination costs, and asset impairment charges. See Note 11, *Restructuring Costs*, of the Notes to Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K for further information on restructuring costs.

### *Interest expense, net*

Interest expense, net increased \$1 million to \$49 million in 2025, compared with \$48 million in 2024. The increase in the average debt outstanding during 2025 compared to the prior year was partially offset by a lower weighted-average interest rate.

### *Income tax expense (benefit)*

Income tax expense was \$36 million in 2025, compared with an income tax benefit of \$5 million in 2024. In 2025, the Company recorded a \$55 million valuation allowance on its deferred income taxes resulting primarily from its inability to utilize certain net operating losses and state R&D tax credits. This was partially offset by a decrease in income tax expense of \$14 million when compared to 2024 due to higher net loss in 2025. The effective income tax rate for the year ended January 3, 2026 was (37.5)% compared with 20.2% for the year ended December 28, 2024.

The Company evaluates its deferred income taxes quarterly to determine if valuation allowances are required. As part of this evaluation, the Company assess whether valuation allowances should be established for any deferred tax assets that are not considered more likely than not to be realized, using all available evidence, both positive and negative. This assessment considers, among other matters, the nature, frequency, and severity of historical losses, forecasts of future profitability, taxable income in available carryback periods and tax planning strategies. In making such judgments, significant weight is given to evidence that can be objectively verified. In 2025, the Company recorded a change in valuation allowance of \$55 million on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. This decreased the effective tax rate for the year ended January 3, 2026. The Company continues to assess the need for the valuation allowance and will make adjustments when appropriate.

### Comparison of 2024 and 2023

For a discussion of the Company's 2024 versus 2023 results, see its 2024 Form 10-K.

## Liquidity and Capital Resources

### *Going Concern Considerations*

In accordance with ASC Topic 205-40, Going Concern, the Company's management evaluates whether there are certain conditions and events, considered in aggregate, that raise substantial doubt about the Company's ability to continue as a going concern. This evaluation includes considerations related to the Company's forecasted liquidity and cash consumption requirements for one year from the date of issuance of its consolidated financial statements included in this Annual Report on Form 10-K.

Historically, the Company has relied principally on liquidity generated from operating activities to fund the Company's day-to-day operations and service its debt. Over the past three years, the Company has a history of net losses and expects to continue to incur additional net losses in the near future. Although the Company continues to pursue its turnaround strategy "Sleep Number Shifts," the timing, costs and realization of its turnaround strategy cannot be guaranteed to ensure sufficient cash flow is generated to provide adequate liquidity to meet the Company's obligations. As a result, the Company anticipates that it will not remain in compliance with the financial covenants of its Credit Agreement for the next twelve months. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

Management's plan to address the substantial doubt about the Company's ability to continue as a going concern, as described above, includes the following actions:

- execute the Company's turnaround strategy centered on product, marketing and distribution with ongoing cost savings and operating efficiencies to reignite growth and increase financial resilience;
- engage in negotiations with the lenders in its Credit Agreement with the goal of amending or waiving financial covenants and certain other provisions of its credit facility; and
- engaged financial advisors to assist in negotiating with the lenders and identifying and securing additional capital options, alternative financing arrangements, strategic alternatives, or other comprehensive solutions to address the Company's capital structure and leverage needs to return to growth and create long-term value.

There can be no assurance of the Company's ability to realize these plans. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

### *Sources and Uses of Cash*

Managing the Company's liquidity and capital resources is an important part of its commitment to deliver superior shareholder value over time.

The Company's primary sources of liquidity are cash flows provided by operating activities and cash available under its \$655 million revolving credit facility. As of January 3, 2026, the Company did not have any off-balance sheet financing other than its \$9 million in outstanding letters of credit. As discussed above in "Going Concern Considerations," the cash anticipated to be generated from ongoing operations and cash available under its Credit Agreement are not expected to be sufficient to generate adequate liquidity to meet the Company's obligations over the next twelve months. See Notes 7, *Leases*, and Note 14, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further details on the Company's obligations.

The Company's credit facility, as amended, is for general corporate purposes and to meet seasonal working capital requirements. The credit facility, as amended, provides the lenders with a collateral security interest in substantially all of the Company's assets and those of its subsidiaries and requires the Company to comply with, among other things, a maximum net leverage ratio and a minimum interest coverage ratio.

On November 4, 2025, the Company amended the Credit Agreement. The amendment, among other things: (a) extends the maturity date of the Credit Agreement to December 3, 2027; (b) reduces the revolving credit facility from \$485 million to \$475 million, which decreases further to \$465 million on July 31, 2026; (c) replaces the leverage-based pricing grids used to determine the Applicable Margin and Applicable Commitment Fee Rate (each as defined in the Credit Agreement)

in favor of (I) with respect to Applicable Margin for Term SOFR Loans, (x) 4.0% until December 31, 2026 and (y) 4.25% starting January 1, 2027 and continuing thereafter, and (II) with respect to the Applicable Commitment Fee Rate, (x) 0.50% until December 31, 2026 and (y) 0.75% starting January 1, 2027 and continuing thereafter; (d) on each Regularly Scheduled Payment Date (as defined in the Credit Agreement) occurring on and after March 31, 2027, increases the amortization of outstanding term loans an additional \$1,250,000 (for an aggregate scheduled principal payment of \$3,750,000); (e) terminates the accordion feature; (f) adjusts the permissible maximum Net Leverage Ratio (as defined in the Credit Agreement) to (I) 5.25 to 1.00 for the quarterly reporting period ended September 27, 2025, (II) 4.50 to 1.00 for the quarterly reporting period ending January 3, 2026, (III) 4.75 to 1.00 for the quarterly reporting period ending April 4, 2026, (IV) 4.80 to 1.00 for the quarterly reporting period ending July 4, 2026, and (V) 4.00 to 1.00 for each quarterly reporting period thereafter; (g) adjusts the Liquidity financial covenant so that the Company must ensure that liquidity is no lower than \$30 million until September 30, 2026, and \$40 million for each monthly reporting period thereafter; (h) adjusts the permissible minimum Interest Coverage Ratio to (I) 1.50 to 1.00 for the quarterly reporting period ended September 27, 2025, (II) 2.10 to 1.00 for the quarterly reporting periods ending January 3, 2026 and April 4, 2026, (III) 1.80 to 1.00 for the quarterly reporting period ending July 4, 2026, (IV) 2.10 to 1.00 for the reporting period ending October 3, 2026, and (V) 2.20 to 1.00 for each quarterly reporting period occurring thereafter; (i) adds a new quarterly minimum EBITDA covenant test that begins for the quarterly reporting period ending April 4, 2026; (j) adjusts the consolidated EBITDA calculation to include an addback for certain expenses and costs incurred for the trailing twelve months for discontinued operations, downsized functions and employment expenses for laid-off employees; and (k) provides for additional and more frequent reporting requirements. Following such amendment, the Company was in compliance with all covenants.

In connection with the amendment, the Company also agreed to pay the lenders certain amendment fees and to reimburse the lenders for certain expenses.

The Company's management believes that its existing cash on hand combined with its anticipated future net losses may be insufficient to fund its operations and debt obligations for at least the next 12 months. The Company's management has concluded that there is substantial doubt about the Company's ability to continue as a going concern, which is not alleviated, for one year from the date of issuance of this Annual Report on Form 10-K. The Company's future capital requirements will depend on many factors, including, but not limited to, amending or waiving financial covenants of the Credit Agreement, the successful execution of any future financing arrangements, its ability to achieve cost efficiencies and the success of its turnaround strategy. To the extent that the Company's existing cash balance and ongoing cash from operations is insufficient to fund its future activities, the Company may need to raise additional funds through public or private equity or debt financing, and such funds may not be available on acceptable terms. If sufficient cash from operations or external funding is not available, the Company may be unable to adequately fund its business plan and the Company's business, results of operations, cash flows and financial condition could be materially and adversely affected.

As of January 3, 2026, the Company had an aggregate amount of \$588 million of borrowings outstanding under its credit facility, including \$185 million in outstanding term loans and \$403 million outstanding under its revolving credit facility, along with \$9 million in outstanding letters of credit. Availability under the revolving credit facility amounted to \$58 million. At January 3, 2026, the company's leverage ratio as defined in the Credit Agreement was 4.1x versus the permissible net leverage ratio of 4.5x, the weighted-average interest rate on borrowings under the credit facility was 7.8% and the Company was in compliance with all financial covenants.

#### Cash Flow Information

Cash and cash equivalents totaled \$2 million at both January 3, 2026 and December 28, 2024. The following table summarizes the Company's cash flows (dollars in millions). Amounts may not add due to rounding differences:

	2025	2024
Total cash provided by (used in):		
Operating activities	\$ (3,283)	\$ 27,143
Investing activities	(17,687)	(26,291)
Financing activities	20,713	(1,441)
Net decrease in cash and cash equivalents	\$ (257)	\$ (589)

Cash used in operating activities for the fiscal year ended January 3, 2026 was \$3 million, compared with net cash provided by operating activities of \$27 million for the fiscal year ended December 28, 2024. Significant components of the

\$30 million year-over-year decrease in cash from operating activities included: (i) an \$112 million year-over-year increase in net loss; (ii) a \$19 million fluctuation in the amount of compensation and benefits accrued and timing of the related payments resulting from decreased headcount in 2025 and year-over-year changes in Company-wide performance-based incentive compensation; an (iii) \$11 million reduction in depreciation and amortization due to recent lower capital spending levels and restructuring related fixed asset impairments; partially offset by (iv) a \$46 million fluctuation in deferred income taxes primarily due to a valuation allowance recorded on deferred taxes; (v) a \$39 million fluctuation in accounts payable due to lower expenses in the current year and timing of payments; (vi) a \$32 million fluctuation in the impairment of lease and store related assets and strategic investment assets; and (vii) a \$21 million change in prepaid expenses and other assets.

Net cash used in investing activities was \$18 million for the fiscal year ended January 3, 2026, compared with net cash used in investing activities of \$26 million during the fiscal year ended December 28, 2024. Investing activities in 2025 included \$14 million of property and equipment purchases, compared with \$24 million in 2024. In addition, the Company used \$3 million cash for payment to secure contractual rights in 2025.

Net cash provided by financing activities was \$21 million for the fiscal year ended January 3, 2026, compared with net cash used in financing activities of \$1 million in 2024. Short-term borrowings increased by \$29 million in 2025 due to a \$42 million increase in borrowings under the revolving credit facility to \$588 million, offset by a \$13 million decrease in book overdrafts, which are included in the net change in short-term borrowings. During the fiscal year ended January 3, 2026, the Company used \$6 million of cash for debt issuance costs related to the credit facility amendment during the first quarter of 2025. During both 2025 and 2024 the Company repurchased \$1 million of its stock in connection with the vesting of employee restricted stock awards.

#### Share Repurchases

The Company suspended share repurchases under its Board-approved share repurchase program during fiscal 2022. As of January 3, 2026, the remaining authorization under its Board-approved \$600 million share repurchase program was \$348 million. There is no expiration date governing the period over which the Company can repurchase shares. The Company did not make any share repurchases under its Board-approved share repurchase program during 2025 or 2024.

#### Non-GAAP Data Reconciliations

##### Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

The Company defines earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) as net loss plus: income tax expense (benefit), interest expense, depreciation and amortization, stock-based compensation, restructuring costs, other non-recurring costs and asset impairments. Management believes Adjusted EBITDA is a useful indicator of the Company's financial performance and its ability to generate cash from operating activities. The Company's definition of Adjusted EBITDA may not be comparable to similarly titled definitions used by other companies. The table below reconciles Adjusted EBITDA, which is a non-GAAP financial measure, to the comparable GAAP financial measure.

The Company's Adjusted EBITDA calculations are as follows (in thousands):

	Year		
	2025	2024	2023
Net loss	\$ (131,958)	\$ (20,334)	\$ (15,287)
Income tax expense (benefit)	35,984	(5,162)	(4,466)
Interest expense	49,382	48,368	42,695
Depreciation and amortization	53,169	64,979	72,479
Stock-based compensation	6,282	11,444	14,855
Restructuring costs <sup>(1)</sup>	50,697	18,066	15,728
Other non-recurring items <sup>(2)</sup>	14,699	998	—
Asset impairments	—	1,220	672
<b>Adjusted EBITDA</b>	<b>\$ 78,255</b>	<b>\$ 119,579</b>	<b>\$ 126,676</b>

<sup>(1)</sup> Represents costs related to business restructuring actions. See Note 11, *Restructuring Costs*, of the Notes to Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K for further information on restructuring costs.

(2) Other non-recurring items includes the following:

	Year	
	2025	2024
Inventory obsolescence write off	\$ 9,565	\$ —
CEO transition costs	1,584	224
Debt issuance cost write off	1,596	—
Proxy contest costs	1,148	774
CFO search costs	340	—
Legal and consulting costs	466	—
Other non-recurring items	\$ 14,699	\$ 998

### Free Cash Flow

The Company's "free cash flow" data is considered a non-GAAP financial measure and is not in accordance with, or preferable to, "net cash provided by operations," or GAAP financial data. However, the Company is providing this information management believes facilitates analysis for investors and financial analysts.

The following table summarizes the Company's free cash flow calculations (in thousands):

	Year		
	2025	2024	2023
Net cash (used in) provided by operating activities	\$ (3,283)	\$ 27,143	\$ (9,028)
Subtract: Purchases of property and equipment	(14,407)	(23,505)	(57,056)
Free cash flow	\$ (17,690)	\$ 3,638	\$ (66,084)

### Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

The Company's "non-GAAP operating expenses" is considered a non-GAAP financial measure and is not in accordance with, or preferable to, "operating expenses," or GAAP financial data. However, the Company is providing this information management believes facilitates analysis for investors and financial analysts.

The following table summarizes the Company's non-GAAP operating expenses calculations (in thousands):

	Year	
	2025	2024
Operating expenses	\$ 879,543	\$ 979,901
Subtract: Restructuring costs	50,697	18,066
Subtract: Other non-recurring items <sup>(1)</sup>	5,134	998
Non-GAAP operating expenses	\$ 823,712	\$ 960,837
Operating expense reduction versus prior period, excluding restructuring costs and non-recurring items	\$ 137,125	

<sup>(1)</sup> Excludes inventory obsolescence write off of \$9.6 million, which is included in the cost of sales line on the Company's consolidated statement of operations.

## Return on Invested Capital (Adjusted ROIC)

Adjusted ROIC is a financial measure the Company uses to determine how efficiently it deploys its capital. It quantifies the return the Company earns on its adjusted invested capital. Management believes Adjusted ROIC is also a useful metric for investors and financial analysts. The Company computes Adjusted ROIC as outlined below. Its definition and calculation of Adjusted ROIC may not be comparable to similarly titled definitions and calculations used by other companies.

The tables below reconcile adjusted net operating profit after taxes (Adjusted NOPAT) and total adjusted invested capital, which are non-GAAP financial measures, to the comparable GAAP financial measures (in thousands):

	Year		
	2025	2024	2023
<b>Adjusted net operating profit after taxes (Adjusted NOPAT)</b>			
Operating (loss) income	\$ (46,592)	\$ 22,872	\$ 22,942
Add: Operating lease interest <sup>(1)</sup>	24,346	26,775	27,777
Add/Less: Income taxes <sup>(2)</sup>	4,495	(11,907)	(11,851)
Adjusted NOPAT	\$ (17,751)	\$ 37,740	\$ 38,868
<b>Average adjusted invested capital</b>			
Total deficit	\$ (578,475)	\$ (451,586)	\$ (441,928)
Add: Long-term debt <sup>(3)</sup>	588,359	546,841	539,819
Add: Operating lease obligations <sup>(4)</sup>	354,302	389,508	433,154
Total adjusted invested capital at end of period	\$ 364,186	\$ 484,763	\$ 531,045
Average adjusted invested capital <sup>(5)</sup>	\$ 439,902	\$ 497,972	\$ 496,612
Adjusted return on invested capital (Adjusted ROIC)	(4.0)%	7.6 %	7.8 %

<sup>(1)</sup> Represents the interest expense component of lease expense included in the Company's financial statements under ASC 842, *Leases*.

<sup>(2)</sup> Reflects annual effective income tax rates, before discrete adjustments, of 20.2%, 24.0% and 23.4% for 2025, 2024 and 2023, respectively.

<sup>(3)</sup> Long-term debt includes existing finance lease liabilities.

<sup>(4)</sup> Reflects operating lease liabilities included in the Company's financial statements under ASC 842.

<sup>(5)</sup> Average adjusted invested capital represents the average of the last five fiscal quarters' ending adjusted invested capital balances.

<sup>(6)</sup> Adjusted ROIC equals Adjusted NOPAT divided by average adjusted invested capital.

Note – The Company's Adjusted ROIC calculation and data are considered non-GAAP financial measures and are not in accordance with, or preferable to, GAAP financial data. However, the Company is providing this information as it believes it facilitates analysis of the Company's financial performance by investors and financial analysts.

GAAP - generally accepted accounting principles in the U.S.

## Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). In connection with the preparation of its financial statements, the Company is required to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, sales, expenses and the related disclosures. Predicting future events is inherently an imprecise activity and as such requires the use of judgment. The Company bases its assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time its consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that its financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from the Company's assumptions and estimates, and such differences could be material.

The Company's significant accounting policies are discussed in Note 1, *Business and Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, which are included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. Management believes the accounting policies discussed below are the most critical because they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting policies and estimates, and related disclosures with the Audit Committee of its Board.

The Company's critical accounting policies and estimates relate to stock-based compensation, warranty liabilities and revenue recognition.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Stock-Based Compensation</b>		
<p>The Company has stock-based compensation plans, which include non-qualified stock options and stock awards.</p> <p>See Note 1, <i>Business and Summary of Significant Accounting Policies</i>, and Note 8, <i>Shareholders' Deficit</i>, to the Notes to Consolidated Financial Statements, included in Item 8, <i>Financial Statements and Supplementary Data</i>, of this Annual Report on Form 10-K, for a complete discussion of its stock-based compensation programs.</p>	<p>Option-pricing models and generally accepted valuation techniques require management to make assumptions and to apply judgment to determine the fair value of the awards. These assumptions and judgments include estimating the volatility of its stock price, future employee forfeiture rates and future employee stock option exercise behaviors. Changes in these assumptions can materially affect the fair value estimates or future earnings adjustments.</p> <p>Performance-based stock awards require management to make assumptions regarding the likelihood of achieving performance targets.</p>	<p>The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions it uses to determine stock-based compensation expense. However, if actual results are not consistent with its estimates or assumptions, the Company may be exposed to changes in stock-based compensation expense that could be material.</p> <p>In addition, if actual results are not consistent with the assumptions used, the stock-based compensation expense reported in its financial statements may not be representative of the actual economic cost of the stock-based compensation. Finally, if the actual forfeiture rates, or the actual achievement of performance targets, are not consistent with the assumptions used, the Company could experience future earnings adjustments.</p> <p>A 10% change in its stock-based compensation expense for the year ended January 3, 2026, would have affected net loss by approximately \$0.5 million in 2025.</p>

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Warranty Liabilities</b>		
<p>The Company provides a limited warranty on most of the products it sells.</p> <p>See Note 1, <i>Business and Summary of Significant Accounting Policies</i>, to the Notes to Consolidated Financial Statements, included in Item 8, <i>Financial Statements and Supplementary Data</i>, of this Annual Report on Form 10-K, for a complete discussion of its warranty program and liabilities.</p>	<p>The majority of its warranty claims are incurred within the first year. However, the Company's warranty liability contains uncertainties because its warranty obligations cover an extended period of time. A revision of estimated claim rates or the projected cost of materials and freight associated with sending replacement parts to customers could have a material adverse effect on future results of operations.</p>	<p>The Company has not made any material changes in its warranty liability assessment methodology during the past three fiscal years. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate its warranty liability. However, if actual results are not consistent with its estimates or assumptions, the Company may be exposed to losses or gains that could be material.</p> <p>A 10% change in its warranty liability at January 3, 2026, would have affected net loss by approximately \$0.5 million in 2025.</p>
<b>Revenue Recognition</b>		
<p>Certain accounting estimates relating to revenue recognition contain uncertainty because they require management to make assumptions and to apply judgment regarding the effects of future events.</p> <p>See Note 1, <i>Business and Summary of Significant Accounting Policies</i>, and Note 9, <i>Revenue Recognition</i>, to the Notes to Consolidated Financial Statements, included in Item 8, <i>Financial Statements and Supplementary Data</i>, of this Annual Report on Form 10-K, for a complete discussion of its revenue recognition policies.</p>	<p>The Company's estimates of sales returns contain uncertainties as actual sales return rates may vary from expected rates, resulting in adjustments to net sales in future periods. These adjustments could have an adverse effect on future results of operations.</p>	<p>The Company has not made any material changes in the accounting methodology used to establish its sales returns allowance during the past three fiscal years. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate its sales returns allowance. However, if actual results are not consistent with its estimates or assumptions, the Company may be exposed to additional losses or gains in future periods.</p> <p>A 10% change in its sales returns allowance at January 3, 2026 would have affected net loss by approximately \$1.0 million in 2025.</p>
<b>Valuation Allowance for Deferred Tax Assets</b>		
<p>The Company records a reduction to the carrying amounts of deferred tax assets by recording a valuation allowance if, based on the available evidence, it is more likely than not such assets will not be realized.</p> <p>See Note 1, <i>Business and Summary of Significant Accounting Policies</i>, and Note 12, <i>Income Taxes</i>, to the Notes to Consolidated Financial Statements, included in Item 8, <i>Financial Statements and Supplementary Data</i>, of this Annual Report on Form 10-K, for a complete discussion of its income taxes policies.</p>	<p>The Company considers both positive and negative evidence when measuring the need for a valuation allowance. The weight given to the evidence is commensurate with the extent to which it may be objectively verified. Current and cumulative financial reporting results are a source of objectively verifiable information. We give operating results during the most recent three-year period a significant weight in our analysis. We perform scheduling exercises to determine if sufficient taxable income of the appropriate character exists in the periods required in order to realize our deferred tax assets with limited lives prior to their expiration.</p>	<p>On the basis of the Company's evaluation, as of January 3, 2026, a valuation allowance of \$55.3 million has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if additional objectively verifiable positive evidence materializes in future reporting periods, such as a demonstrated operating profitability.</p>

## Recent Accounting Pronouncements

See “Part II, Item 8. *Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1, Business and Summary of Significant Accounting Policies - “Recently Adopted and Recently Issued Accounting Pronouncements”* for recent accounting pronouncements that may affect the Company’s financial reporting.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in market-based short-term interest rates that will impact its net interest expense. If overall interest rates were one percentage point higher than current rates, its annual loss would increase by \$5 million based on the \$588 million of borrowings under its credit facility at January 3, 2026. The Company does not manage its interest-rate volatility risk through the use of derivative instruments.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Sleep Number Corporation

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sleep Number Corporation and subsidiaries (the "Company") as of January 3, 2026 and December 28, 2024, the related consolidated statements of operations, shareholders' deficit, and cash flows, for each of the three years in the period ended January 3, 2026, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 3, 2026 and December 28, 2024, and the results of its operations and its cash flows for each of the three years in the period ended January 3, 2026, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 3, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2026, expressed an unqualified opinion on the Company's internal control over financial reporting.

#### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is projecting noncompliance with future debt covenants, and lack of liquidity that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Warranty Liability - Refer to “Note 1 - Warranty Liabilities”**

### *Critical Audit Matter Description*

The Company provides a limited warranty on most products sold. The estimated warranty liabilities, which are expensed at the time of sale and included in cost of sales, are based on historical trends and warranty claim rates incurred and the assumptions are adjusted for any current trends as appropriate. As of January 3, 2026, the Company has warranty liabilities of \$5.7 million.

We identified the warranty liability as a critical audit matter because of the significant judgments made by management to estimate warranty claim rates. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management’s estimates of future warranty claims based on historical claims paid, from which management uses to develop warranty liability estimates.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our procedures related to the warranty liabilities included the following, among others:

- We tested the effectiveness of relevant controls related to warranty liabilities, including those over historical warranty claim data and estimated future warranty claim rates.
- We evaluated the reasonableness of management’s estimate of warranty liabilities by comparing the historical warranty claim trends to the current warranty claim rates of the Sleep Number beds and other products.
- We evaluated the completeness of the warranty liabilities through inquiries of operational and executive management regarding knowledge of known product warranty claims or product issues and evaluated whether they were appropriately considered in the determination of the warranty liabilities.
- We evaluated the methods and assumptions used by management to estimate the warranty liabilities by:
  - Testing the underlying data that served as the basis for the estimate, to test that the inputs to the estimate were reasonable and to test the mathematical accuracy of the calculation.
  - Developing an expectation of warranty liabilities and comparing it to the recorded balance.
  - Comparing management’s prior-year assumption of expected claim rates to actuals incurred during the year to evaluate management’s ability to estimate the warranty liabilities.

## **Valuation Allowance — Refer to “Note 1 – Income Taxes” & “Note 12 – Income Taxes”**

### *Critical Audit Matter Description*

The Company recognizes deferred income taxes for tax attributes and for differences between the financial statement and tax basis of assets and liabilities at enacted statutory tax rates in effect for the years in which the deferred tax liability or asset is expected to be settled or realized. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Future realization of deferred tax assets depends on the existence of sufficient taxable income of the appropriate character. Sources of taxable income include future reversals of deferred tax assets and liabilities, expected future taxable income, taxable income in prior carryback years if permitted under the tax law, and tax planning strategies. Management has determined that it will not have sufficient taxable income generated in the future to realize its deferred tax assets; therefore, a valuation allowance has been recorded. The Company’s valuation allowance as of January 3, 2026, was \$55.3 million.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets included the following, among others:

- We tested the effectiveness of relevant controls over deferred tax assets, including management's controls over the estimates of taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.
- We evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary.
- With the assistance of our income tax specialists, we evaluated whether the sources of management's estimated taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax law.
- We evaluated whether the taxable income in prior carryback years was of the appropriate character and available under the tax law.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota  
March 12, 2026

We have served as the Company's auditor since 2010.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Sleep Number Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Sleep Number Corporation and subsidiaries (the "Company") as of January 3, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 3, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended January 3, 2026, of the Company and our report dated March 12, 2026, expressed an unqualified opinion on those financial statements and financial statement schedule.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota  
March 12, 2026

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Consolidated Balance Sheets  
January 3, 2026 and December 28, 2024  
(in thousands, except per share amounts)**

	2025	2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,693	\$ 1,950
Accounts receivable, net of allowances of \$694 and \$1,113, respectively	15,502	17,516
Inventories	82,233	103,152
Prepaid expenses	13,656	14,568
Other current assets	36,873	44,098
Total current assets	149,957	181,284
Non-current assets:		
Property and equipment, net	86,528	129,574
Operating lease right-of-use assets	311,723	356,641
Goodwill and intangible assets, net	66,186	66,412
Deferred income taxes	399	33,575
Other non-current assets	65,267	93,324
Total assets	\$ 680,060	\$ 860,810
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities:		
Borrowings under revolving credit facility	\$ 588,200	\$ 546,600
Accounts payable	117,977	107,619
Customer prepayments	39,527	46,933
Accrued sales returns	12,817	19,092
Compensation and benefits	14,975	31,038
Taxes and withholding	11,429	18,619
Operating lease liabilities	81,191	82,307
Other current liabilities	46,430	55,804
Total current liabilities	912,546	908,012
Non-current liabilities:		
Operating lease liabilities	273,111	307,201
Other non-current liabilities	72,878	97,183
Total liabilities	1,258,535	1,312,396
Shareholders' deficit:		
Undesignated preferred stock; 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 142,500 shares authorized, 22,860 and 22,388 shares issued and outstanding, respectively	229	224
Additional paid-in capital	32,454	27,390
Accumulated deficit	(611,158)	(479,200)
Total shareholders' deficit	(578,475)	(451,586)
Total liabilities and shareholders' deficit	\$ 680,060	\$ 860,810

See accompanying notes to consolidated financial statements.

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Operations**  
Years ended January 3, 2026, December 28, 2024 and December 30, 2023  
(in thousands, except per share amounts)

	2025	2024	2023
Net sales	\$ 1,411,450	\$ 1,682,296	\$ 1,887,482
Cost of sales	578,499	679,523	798,952
Gross profit	832,951	1,002,773	1,088,530
<b>Operating expenses:</b>			
Sales and marketing	664,235	766,624	847,442
General and administrative	130,669	149,956	146,621
Research and development	33,942	45,255	55,797
Restructuring costs	50,697	18,066	15,728
Total operating expenses	879,543	979,901	1,065,588
Operating (loss) income	(46,592)	22,872	22,942
Interest expense, net	49,382	48,368	42,695
Loss before income taxes	(95,974)	(25,496)	(19,753)
Income tax expense (benefit)	35,984	(5,162)	(4,466)
Net loss	\$ (131,958)	\$ (20,334)	\$ (15,287)

<b>Basic and diluted net loss per share:</b>			
Net loss per share – basic and diluted	\$ (5.77)	\$ (0.90)	\$ (0.68)
Weighted-average shares – basic and diluted	22,883	22,606	22,429

See accompanying notes to consolidated financial statements.

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Shareholders' Deficit**  
Years ended January 3, 2026, December 28, 2024 and December 30, 2023  
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulate d Deficit	Total
	Shares	Amount			
Balance at December 31, 2022	22,014	\$ 220	\$ 5,182	\$ (443,579)	\$ (438,177)
Net loss	—	—	—	(15,287)	(15,287)
Exercise of common stock options	20	—	428	—	428
Stock-based compensation	335	3	14,852	—	14,855
Repurchases of common stock	(134)	(1)	(3,746)	—	(3,747)
Balance at December 30, 2023	22,235	\$ 222	\$ 16,716	\$ (458,866)	\$ (441,928)
Net loss	—	—	—	(20,334)	(20,334)
Stock-based compensation	209	3	11,441	—	11,444
Repurchases of common stock	(56)	(1)	(767)	—	(768)
Balance at December 28, 2024	22,388	\$ 224	\$ 27,390	\$ (479,200)	\$ (451,586)
Net loss	—	—	—	(131,958)	(131,958)
Stock-based compensation	628	6	6,276	—	6,282
Repurchases of common stock	(156)	(1)	(1,212)	—	(1,213)
Balance at January 3, 2026	22,860	\$ 229	\$ 32,454	\$ (611,158)	\$ (578,475)

See accompanying notes to consolidated financial statements.

**SLEEP NUMBER CORPORATION  
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**Consolidated Statements of Cash Flows**  
**Years ended January 3, 2026, December 28, 2024 and December 30, 2023**  
(in thousands)

	2025	2024	2023
<b>Cash flows from operating activities:</b>			
Net loss	\$ (131,958)	\$ (20,334)	\$ (15,287)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	55,608	66,351	74,043
Stock-based compensation	6,282	11,444	14,855
Inventory obsolescence write off	9,565	—	—
Loss on impairment of strategic investment asset	16,225	—	—
Loss on disposal and impairment of leased assets	20,319	4,315	2,898
Deferred income taxes	33,176	(13,322)	(12,295)
Changes in operating assets and liabilities:			
Accounts receivable	2,014	9,343	(854)
Inventories	11,354	12,281	(1,399)
Income taxes	(4,378)	3,987	(5,969)
Prepaid expenses and other assets	9,889	(10,867)	(5,220)
Accounts payable	22,673	(15,910)	(28,934)
Customer prepayments	(7,406)	(2,210)	(24,038)
Accrued compensation and benefits	(16,113)	2,755	(2,943)
Other taxes and withholding	(2,812)	(2,502)	(519)
Other accruals and liabilities	(27,721)	(18,188)	(3,366)
Net cash (used in) provided by operating activities	(3,283)	27,143	(9,028)
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(14,407)	(23,505)	(57,056)
Proceeds from sales of property and equipment	—	156	21
Issuance of notes receivable	—	(2,942)	(1,317)
Payment to secure contractual rights	(3,280)	—	—
Net cash used in investing activities	(17,687)	(26,291)	(58,352)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	28,068	(673)	73,463
Repurchases of common stock	(1,213)	(768)	(3,747)
Proceeds from issuance of common stock	—	—	428
Debt issuance costs	(6,142)	—	(2,017)
Net cash provided by (used in) financing activities	20,713	(1,441)	68,127
Net (decrease) increase in cash and cash equivalents	(257)	(589)	747
Cash and cash equivalents, at beginning of period	1,950	2,539	1,792
Cash and cash equivalents, at end of period	\$ 1,693	\$ 1,950	\$ 2,539
<b>Supplemental Disclosure of Cash Flow Information</b>			
Income taxes paid, net of refunds	\$ 8,624	\$ 4,012	\$ 13,716
Interest paid	\$ 50,570	\$ 45,092	\$ 40,570
Purchases of property and equipment included in accounts payable	\$ 3,128	\$ 1,994	\$ 6,670

See accompanying notes to consolidated financial statements.

**SLEEP NUMBER CORPORATION  
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**Notes to Consolidated Financial Statements**

**1. Business and Summary of Significant Accounting Policies**

*Business & Basis of Presentation*

Sleep Number Corporation and its 100%-owned subsidiaries (Sleep Number or the Company) have a vertically integrated business model and are the exclusive designer, manufacturer, marketer, retailer and servicer of Sleep Number beds which allows it to offer consumers high-quality, individualized sleep solutions and services. Sleep Number also offers FlexFit adjustable bases, and Sleep Number pillows, sheets and other bedding products.

Sleep Number generates revenue by marketing its innovations directly to new and existing customers, and selling products through its Stores, Online, Phone, Chat (Total Retail) and Other.

The consolidated financial statements include the accounts of Sleep Number Corporation and its 100%-owned subsidiaries. All intra-entity balances and transactions have been eliminated in consolidation.

*Fiscal Year*

The Company's fiscal year ends on the Saturday closest to December 31. Fiscal years and their respective fiscal year ends were as follows: fiscal 2025 ended January 3, 2026; fiscal 2024 ended December 28, 2024; and fiscal 2023 ended December 30, 2023. Fiscal 2025 had 53 weeks, 2024 and 2023 each had 52 weeks.

*Use of Estimates in the Preparation of Financial Statements*

The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires the Company to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of sales, expenses and income taxes during the reporting period. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates will be reflected in the consolidated financial statements in future periods and could be material.

The Company's critical accounting policies consist of stock-based compensation, warranty liabilities, revenue recognition and valuation allowance for deferred tax assets.

*Cash and Cash Equivalents*

Cash and cash equivalents include highly-liquid investments with original maturities of three months or less. The carrying value of these investments approximates fair value due to their short-term maturity. The Company's banking arrangements allow it to fund outstanding checks when presented to the financial institution for payment, resulting in book overdrafts. Book overdrafts are included in accounts payable in the consolidated balance sheet and in net increase (decrease) in short-term borrowings in the financing activities section of the Company's consolidated statement of cash flows. Book overdrafts totaled \$8 million and \$22 million at January 3, 2026 and December 28, 2024, respectively.

*Accounts Receivable*

Accounts receivable are recorded net of an allowance for expected credit losses and consist primarily of receivables from third-party financiers for customer credit purchases. The allowance is recognized in an amount equal to anticipated future write-offs. The Company estimates future write-offs based on delinquencies, aging trends, industry risk trends, its historical experience and current trends. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

**SLEEP NUMBER CORPORATION  
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**Notes to Consolidated Financial Statements - (continued)**

*Inventories*

Inventories include materials, labor and overhead and are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. The Company reviews inventory quantities on hand and records reserves for obsolescence based on historical selling prices, current market conditions and forecasted product demand, to reduce inventory to net realizable value.

*Property and Equipment*

Property and equipment, carried at cost, is depreciated using the straight-line method over the estimated useful lives of the assets. The cost and related accumulated depreciation of assets sold or retired is removed from the accounts with any resulting gain or loss included in net loss in the consolidated statement of operations. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful life are capitalized.

Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the contractual term of the lease, with consideration of lease renewal options if renewal appears probable.

Estimated useful lives of the Company's property and equipment by major asset category are as follows:

Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 15 years
Production machinery	3 to 7 years
Computer equipment and software	3 to 12 years

*Goodwill and Intangible Assets, Net*

Goodwill is the difference between the purchase price of a company and the fair market value of the acquired company's net identifiable assets. The Company's intangible assets include developed technologies and trade names/trademarks. Definite-lived intangible assets are being amortized using the straight-line method over their estimated lives, ranging from 8-10 years.

*Asset Impairment Charges*

Long-lived Assets and Definite-lived Intangible Assets

The Company reviews its long-lived assets and definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. When evaluating long-lived assets for potential impairment, the Company first compares the carrying value of the asset to the estimated future cash flows (undiscounted and without interest charges plus proceeds expected from disposition, if any). If the estimated undiscounted cash flows are less than the carrying value of the asset, the Company calculates an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value. When the Company recognizes an impairment loss, the carrying amount of the asset is reduced to estimated fair value based on discounted cash flows, quoted market prices or other valuation techniques. Assets to be disposed of are reported at the lower of the carrying amount of the asset or fair value less costs to sell. The Company reviews retail stores by asset group, defined by designated market areas, for potential impairment based on historical cash flows, lease termination provisions and expected future operating results. If the Company recognizes an impairment loss for a depreciable long-lived asset or asset group, the adjusted carrying amount becomes its new cost basis and will be depreciated (amortized) over the remaining useful life.

Goodwill and Indefinite-lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment annually, or when there are indicators of impairment, using a fair value approach. The goodwill impairment test involves a comparison of the fair value of a reporting unit with its carrying value. Fair value is determined using a market-based approach utilizing widely accepted valuation techniques, including quoted market prices and the Company's market capitalization. The Company

**SLEEP NUMBER CORPORATION  
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**Notes to Consolidated Financial Statements - (continued)**

has only one reporting unit, which has a negative carrying value. The reporting unit had a goodwill balance of \$64 million at January 3, 2026 and December 28, 2024. Indefinite-lived intangible assets are assessed for impairment by comparing the carrying value of an asset with its fair value. If the carrying value exceeds fair value, an impairment loss is recognized in an amount equal to the excess. Based on the Company's 2025 assessments, it determined there was no impairment.

*Other Investments*

The Company made a payment of \$3 million during the second quarter of 2025 to secure contractual rights from a strategic product-development partner. This payment was included in prepaid expenses in the Company's consolidated balance sheet and as an investing activity in the Company's consolidated statement of cash flows. In the third quarter of 2025, the Company made the decision to end business operations with the strategic-development partner. In connection with this decision, the Company evaluated the recoverability of assets associated with those operations and determined that the carrying amounts of those assets were unlikely to be recoverable and recorded an impairment charge of \$16 million, which is included in restructuring costs in the consolidated statements of operations for the year ended January 3, 2026.

*Warranty Liabilities*

The Company provides a standard limited warranty on most of the products it sells. The estimated warranty costs, which are expensed at the time of sale and included in cost of sales, are based on historical trends and warranty claim rates incurred by the Company and are adjusted for any current trends as appropriate. The majority of the Company's warranty claims are incurred within the first year. The Company's warranty liability contains uncertainties because its warranty obligations cover an extended period of time and require management to make estimates for claim rates and the projected cost of materials and freight associated with sending replacement parts to customers. The Company regularly assesses and adjusts the estimate of accrued warranty claims by updating claims rates for actual trends and projected claim costs. The warranty liabilities are included in other current liabilities and other non-current liabilities in the consolidated balance sheet.

The Company classifies as non-current those estimated warranty costs expected to be paid out in greater than one year. The activity in the accrued warranty liabilities account was as follows (in thousands):

	2025	2024	2023
Balance at beginning of period	\$ 6,947	\$ 8,503	\$ 8,997
Additions charged to costs and expenses for current-year sales	10,171	13,821	15,939
Deductions from reserves	(10,834)	(14,657)	(16,438)
Change in liabilities for pre-existing warranties during the current year, including expirations	(628)	(720)	5
Balance at end of period	\$ 5,656	\$ 6,947	\$ 8,503

The Company also offers the option for customers to purchase an extended warranty contract through an unrelated third party. The extended warranty extends parts and labor coverage on their purchase. Extended warranty revenue and premium remitted to the underwriter are recognized at the time of delivery because the third party is the primary obligor under these contracts.

*Fair Value Measurements*

Fair value measurements are reported in one of three levels based on the lowest level of significant input used:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

# SLEEP NUMBER CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements - (continued)

The Company generally estimates fair value of long-lived assets, including its retail stores, using the income approach, which the Company based on estimated future cash flows (discounted and with interest charges). The inputs used to determine fair value relate primarily to future assumptions regarding sales volumes, gross profit rates, retail store operating expenses and applicable probability weightings regarding future alternative uses. These inputs are categorized as Level 3 inputs under the fair value measurements guidance. The inputs used represent management's assumptions about what information market participants would use in pricing the assets and are based upon the best information available at the balance sheet date.

### Non-Recurring Fair Value Measurements

In 2025, the Company initiated cost savings and operational efficiencies to reduce operating expenses and accelerate gross margin initiatives. As a result the Company recorded \$50.7 million of restructuring costs in 2025. Refer to Note 11, *Restructuring Costs* for additional information. In the \$50.7 million, we recorded \$30.9 million of long-lived asset impairment charges primarily related to lease right-of-use assets, property and equipment and strategic partner long-lived assets. The restructuring costs are included on the Company's consolidated statements of operation. All non-recurring fair value remeasurements discussed above were based on significant unobservable inputs (Level 3). The remaining carrying value of net long-lived assets subject to impairment approximates fair value and was immaterial as of January 3, 2026.

### *Shareholders' Deficit*

#### Dividends

Under the Company's Amended and Restated Credit and Security Agreement, dated as of February 14, 2018 (as amended, supplemented or otherwise modified from time to time), among U.S. Bank National Association, as Administrative Agent, Swing Line Lender and Issuing Lender, and certain other financial institutions party thereto (the "Credit Agreement"), the Company is restricted from paying cash dividends, subject to narrow exceptions. However, Sleep Number has not historically paid, and has no current plans to pay, cash dividends on the Company's common stock.

#### Share Repurchases

At January 3, 2026, there was \$348 million remaining authorization under the \$600 million board-approved share repurchase program. There is no expiration date governing the period over which the Company can repurchase shares. Any repurchased shares are constructively retired and returned to an unissued status. The cost of stock repurchases is first charged to additional paid-in-capital. Once additional paid-in capital is reduced to zero, any additional amounts are charged to accumulated deficit.

#### *Revenue Recognition*

The Company recognizes revenue when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. Revenue recognized excludes sales taxes. Amounts billed to customers for delivery and setup are included in net sales. For most products, the Company receives payment before or promptly after the products or services are delivered to the customer.

The Company accepts sales returns of most products during a 100-night trial period. Accrued sales returns represent a refund liability for the amount of consideration that the Company does not expect to be entitled to because it will be refunded to customers. The refund liability estimate is based on historical return rates and is adjusted for any current trends as appropriate. Each reporting period, the Company remeasures the liability to reflect changes in the estimate, with a corresponding adjustment to net sales.

Sleep Number beds sold with SleepIQ technology contain multiple performance obligations including the bed, and SleepIQ hardware and software. The Company analyzes its multiple performance obligations to determine whether they are distinct and can be separated or whether they must be accounted for as a single performance obligation. The Company determined that beds sold with the SleepIQ technology have two performance obligations consisting of: (i) the bed; and (ii) SleepIQ hardware and software. SleepIQ hardware and software are not separable as the hardware and related software are not sold separately and the software is integral to the hardware's functionality. Prior to the fourth

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**Notes to Consolidated Financial Statements - (continued)**

quarter of fiscal 2025, the Company determined the transaction price for multiple performance obligations based on their relative standalone selling prices. In the fourth quarter of fiscal 2025, the Company determined the transaction price for multiple performance obligations based on a cost plus margin approach. The Company determined the cost plus margin approach was the most reasonable approach based on the significance of the SleepIQ technology. The Company determined an observable price is not available for SleepIQ. The Company estimated the standalone selling price by (1) identifying the expected costs of providing the good or service and (2) adding an appropriate margin that reflects market assumptions for similar offerings. The performance obligation related to the bed is satisfied at a point in time. The performance obligation related to SleepIQ technology is satisfied over time based on the ongoing access and usage by the customer of software essential to the functionality of SleepIQ technology. The deferred revenue and costs related to SleepIQ technology are recognized on a straight-line basis over the estimated period of benefit to the customer of 4.5 years because its inputs are generally expended evenly throughout the performance period.

See Note 9, *Revenue Recognition*, for additional information on revenue recognition and sales returns.

*Cost of Sales, Sales and Marketing, General and Administrative (G&A) and Research & Development (R&D) Expenses*

The following tables summarize the primary costs classified in each major expense category (the classification of which may vary within the Company's industry):

<b>Cost of Sales</b>	<b>Sales &amp; Marketing</b>
<ul style="list-style-type: none"> <li>• Costs associated with purchasing, manufacturing, shipping, handling and delivering the Company's products to its retail stores and customers, including payroll and benefits;</li> <li>• Physical inventory losses, scrap and obsolescence;</li> <li>• Purchase commitment obsolescence;</li> <li>• Related occupancy and depreciation expenses;</li> <li>• Costs associated with returns and exchanges; and</li> <li>• Estimated costs to service customer warranty claims.</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising, marketing and media production;</li> <li>• Marketing and selling materials such as brochures, videos, websites, customer mailings and in-store signage;</li> <li>• Payroll and benefits for sales and customer service staff;</li> <li>• Store occupancy costs;</li> <li>• Store depreciation expense;</li> <li>• Credit card processing fees; and</li> <li>• Promotional financing costs.</li> </ul>
<b>G&amp;A</b>	<b>R&amp;D<sup>(1)</sup></b>
<ul style="list-style-type: none"> <li>• Payroll and benefit costs for corporate employees, including information technology, legal, human resources, finance, sales and marketing administration, investor relations and risk management;</li> <li>• Occupancy costs of corporate facilities;</li> <li>• Depreciation related to corporate assets;</li> <li>• Information hardware, software and maintenance;</li> <li>• Insurance;</li> <li>• Investor relations costs; and</li> <li>• Other overhead costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal labor and benefits related to research and development activities;</li> <li>• Outside consulting services related to research and development activities; and</li> <li>• Testing equipment related to research and development</li> </ul>

<sup>(1)</sup> Costs incurred in connection with R&D are charged to expense as incurred.

*Leases*

The Company determines if an arrangement is a lease at inception. Right-of-use (ROU) assets and operating lease liabilities are recognized at the lease commencement date based on the estimated present value of future lease payments over the lease term. The Company elected the option to not separate lease and non-lease components for all of its leases. Most of the Company's leases do not provide an implicit interest rate nor is the rate available to it from its lessors. As an alternative, the Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, including publicly available data, in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet as an ROU asset or operating lease liability. The Company recognizes operating lease costs for these short-term leases, primarily small

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**Notes to Consolidated Financial Statements - (continued)**

equipment leases, on a straight-line basis over the lease term. At January 3, 2026, the Company's finance lease ROU assets and associated lease liabilities were not significant.

See Note 7, *Leases*, for further information regarding the Company's operating leases and Note 11, *Restructuring Costs*, for further information regarding the Company's cost savings for right-of-use assets.

*Pre-opening Costs*

Costs associated with the start-up and promotion of new retail store openings are expensed as incurred.

*Advertising Costs*

The Company incurs advertising costs associated with print, digital and broadcast advertisements. Advertising costs are charged to expense when the ad first runs. Advertising expense was \$197 million, \$248 million and \$272 million in 2025, 2024 and 2023, respectively and is included in sales and marketing expenses on the consolidated statement of operations. Advertising costs deferred and included in prepaid expenses in the consolidated balance sheet were not significant at January 3, 2026 or December 28, 2024, respectively.

*Insurance*

The Company is self-insured for certain losses related to health and workers' compensation claims, although the Company obtains third-party insurance coverage to limit exposure to these claims. The Company estimates its self-insured liabilities using a number of factors including historical claims experience and analysis of incurred but not reported claims. The Company's self-insurance liability was \$10 million and \$11 million at January 3, 2026 and December 28, 2024, respectively. At January 3, 2026 and December 28, 2024, \$5 million and \$7 million, respectively, were included in current liabilities: compensation and benefits in the consolidated balance sheet and \$5 million and \$4 million, respectively, were included in other non-current liabilities in the consolidated balance sheet.

*Software Capitalization*

For software developed or obtained for internal use, the Company capitalizes direct external costs associated with developing or obtaining internal-use software. In addition, the Company capitalizes certain payroll and payroll-related costs for employees who are directly involved with the development of such applications. Capitalized costs related to internal-use software under development are treated as construction-in-progress until the program, feature or functionality is ready for its intended use, at which time depreciation commences. The Company expenses any data conversion or training costs as incurred. Capitalized software costs are included in property and equipment, net in the consolidated balance sheet.

The Company capitalizes costs incurred with the implementation of a cloud computing arrangement that is a service contract, consistent with its policy for software developed or obtained for internal use. The capitalized implementation costs of cloud computing arrangements are expensed over the term of the cloud computing arrangement in the same line item in the statement of operations as the associated hosting fees. Capitalized costs incurred with the implementation of a cloud computing arrangement are included in prepaid expenses and other non-current assets in the Company's consolidated balance sheet, and in operating cash flows in its consolidated statement of cash flows.

*Stock-based Compensation*

The Company compensates officers, directors and key employees with stock-based compensation under stock plans approved by its shareholders and administered under the supervision of the Company's Board of Directors (Board). At January 3, 2026, a total of 3.4 million shares were available for future grant. These plans include non-qualified stock options and stock awards.

The Company records stock-based compensation expense based on the award's fair value at the grant date and the awards that are expected to vest. The Company recognizes stock-based compensation expense over the period during which an employee is required to provide services in exchange for the award. The Company reduces compensation

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**Notes to Consolidated Financial Statements - (continued)**

expense by estimated forfeitures. Forfeitures are estimated using historical experience and projected employee turnover. The Company includes, as part of cash flows from operating activities, the benefit of tax deductions in excess of recognized stock-based compensation expense. In addition, excess tax benefits or deficiencies are recorded as discrete adjustments to income tax expense.

Stock Options

Stock option awards are granted at exercise prices equal to the closing price of the Company's stock on the grant date. Generally, options vest proportionally over three years and expire after 10 years. Compensation expense is recognized ratably over the vesting period.

The Company determines the fair value of stock options granted and the resulting compensation expense at the date-of-grant using the Black-Scholes-Merton option-pricing model. Descriptions of significant assumptions used to estimate the expected volatility, risk-free interest rate and expected term are as follows:

*Expected Volatility* – expected volatility was determined based on implied volatility of the Company's traded options and historical volatility of the Company's stock price.

*Risk-Free Interest Rate* – the risk-free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues at the date of grant with a term equal to the expected term.

*Expected Term* – expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience and anticipated future exercise patterns, giving consideration to the contractual terms of unexercised stock-based awards.

Stock Awards

The Company issues stock awards to certain employees in conjunction with its stock-based compensation plan. The stock awards generally vest over three years based on continued employment (time-based). Compensation expense related to stock awards, except for stock awards with a market condition, is determined on the grant date based on the publicly quoted closing price of the Company's common stock and is charged to earnings on a straight-line basis over the vesting period. Stock awards with a market condition are valued using a Monte Carlo simulation model. The significant assumptions used to estimate the expected volatility and risk-free interest rate are similar to those described above in Stock Options.

Certain time-based stock awards have a performance condition (performance-based). The final number of shares earned for performance-based stock awards and the related compensation expense is adjusted up or down to the extent the performance target is met. The actual number of shares that will ultimately be awarded range from 0% - 200% of the targeted amount for the 2025, 2024 and 2023 awards. The Company evaluates the likelihood of meeting the performance targets at each reporting period and adjusts compensation expense, on a cumulative basis, based on the expected achievement of each of the performance targets. For performance-based stock awards granted in 2025, 2024 and 2023, the performance targets are based on growth in net sales and in operating profit, and the performance periods are fiscal 2025 through 2027, 2024 through 2026 and fiscal 2023 through 2025, respectively.

See Note 8, *Shareholders' Deficit*, for additional information on stock-based compensation.

*Income Taxes*

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A valuation allowance is established for any portion of deferred tax assets that are not considered more likely than not to be realized. The Company evaluates all available positive and negative evidence, including its forecast of future taxable income, to assess the need for a valuation allowance on its deferred tax assets.

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**Notes to Consolidated Financial Statements - (continued)**

The Company records a liability for unrecognized tax benefits from uncertain tax positions taken, or expected to be taken, in the Company's tax returns. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and may not accurately forecast actual outcomes.

The Company classifies net interest and penalties related to income taxes as a component of income tax expense in its consolidated statement of operations.

Refer to Note 12, *Income Taxes* for further information on the Company's income taxes.

*Net Loss Per Share*

The Company calculates basic net loss per share by dividing net loss by the weighted-average number of common shares outstanding during the period. It calculates diluted net loss per share based on the weighted-average number of common shares outstanding adjusted by the number of potentially dilutive common shares as determined by the treasury stock method. Potentially dilutive shares consist of stock options and stock awards.

*Sources of Supply*

The Company currently obtains materials and components used to produce its beds from outside sources. As a result, the Company is dependent upon suppliers that in some instances, are its sole source of supply, or supply the vast majority of the particular component or material. The Company continuously evaluates opportunities to dual-source key components and materials. The failure of one or more of the Company's suppliers to provide it with materials or components on a timely basis could significantly impact the consolidated results of operations and net loss per share. While the Company believes that these materials and components, or suitable replacements, could be obtained from other sources in the event of a disruption or loss of supply, it may not be able to find alternative sources of supply or alternative sources of supply on comparable terms and an unexpected loss of supply over a short period of time may not allow the Company to replace these sources in the ordinary course of business.

*Going Concern*

The Company's financial statements have been prepared under the assumption that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future.

Historically, the Company has relied principally on liquidity generated from operating activities to fund the Company's day-to-day operations and service its debt. Over the past three years, the Company has a history of net losses. For 2025, net loss was \$132 million. Although the Company continues to pursue its turnaround strategy "Sleep Number Shifts," centered on product, marketing and distribution, as well as ongoing cost savings and operating efficiencies, to reignite growth and increase financial resilience, the timing and realization of its turnaround strategy cannot be guaranteed to ensure sufficient cash flow is generated to provide liquidity to meet the Company's obligations. In addition, the Company anticipates that it will not remain in compliance with the financial covenants of its Credit Agreement for the next twelve months. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

Management's plan to address the substantial doubt about the Company's ability to continue as a going concern, as described above, includes the following actions:

- execute the Company's turnaround strategy centered on product, marketing and distribution with ongoing cost savings and operating efficiencies to reignite growth and increase financial resilience;
- engage in negotiations with the lenders in its Credit Agreement with the goal of amending or waiving financial covenants and certain other provisions of its credit facility; and

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**Notes to Consolidated Financial Statements - (continued)**

- engaged financial advisors to assist in negotiating with the lenders and identifying and securing additional capital options, alternative financing arrangements, strategic alternatives, or other comprehensive solutions to address the Company's capital structure and leverage needs to return to growth and create long-term value.

There can be no assurance of the Company's ability to realize these plans. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

*Recently Adopted and Recently Issued Accounting Pronouncements*

Accounting Pronouncements Recently Adopted

In the fourth quarter of 2025, the Company prospectively adopted the annual disclosure requirements of Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require a public business entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. A public business entity is also required to provide a qualitative description of the states and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The Company has adopted ASU 2023-09 on a prospective basis, which resulted in additional disclosures, but did not have any other impact on its consolidated financial statements. See Note 12, *Income Taxes*, for applicable income tax-related disclosures required by this guidance.

Accounting Pronouncements Issued But Not Yet Effective

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)", which requires public business entities to disclose in the notes to the financial statements more detailed information about the types of expenses included in certain expense captions in the consolidated financial statements, including purchases of inventory, employee compensation, and depreciation and amortization. The amendments are effective for the Company beginning with the 2027 annual period and in interim periods beginning in 2028. Early adoption is permitted. The ASU may be adopted prospectively or retrospectively. The Company is currently evaluating the impact of ASU 2024-03 on its consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets", which provides a practical expedient related to the estimation of expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, including those assets acquired in a business combination. The practical expedient permits an entity to assume that current conditions as of the balance sheet date do not change for the remaining life of the current accounts receivable and current contract assets. This guidance is effective for the Company for its fiscal year and all interim periods beginning January 4, 2026 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting - Narrow Scope Improvements (Topic 270)", which clarifies the guidance to improve the consistency of interim financial reporting. The guidance provides a comprehensive list of required interim disclosures and introduces a disclosure principle requiring entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. The guidance is effective for the Company for its fiscal year and all interim periods beginning with the 2027 annual period and in interim periods beginning in 2028. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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In December 2025, the FASB issued ASU 2025-12, "Codification Improvements", which makes amendments to various topics within the Accounting Standards Codification intended to clarify existing guidance and correct minor inconsistencies. The guidance is effective for the Company beginning with the 2027 annual period and in interim periods beginning in 2028. Early adoption is permitted. Certain amendments require retrospective application. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

Currently, management does not believe that any other recently issued, but not yet effective accounting pronouncements, if currently adopted, would have a material impact on the Company's consolidated financial statements.

**2. Fair Value Measurements**

At January 3, 2026 and December 28, 2024, the Company had \$17 million and \$19 million, respectively, of debt and equity securities that fund its deferred compensation plan and are classified in other non-current assets. The Company also had corresponding deferred compensation plan liabilities of \$17 million and \$19 million at January 3, 2026 and December 28, 2024, respectively, which are included in other non-current liabilities. The majority of the debt and equity securities are Level 1 as they trade with sufficient frequency and volume to enable it to obtain pricing information on an ongoing basis. Unrealized gains/(losses) on the debt and equity securities offset those associated with the corresponding deferred compensation plan liabilities.

**3. Inventories**

Inventories consisted of the following (in thousands):

	January 3, 2026	December 28, 2024
Raw Materials	\$ 5,842	\$ 11,434
Work in Progress	137	130
Finished goods	76,254	91,588
	\$ 82,233	\$ 103,152

Finished goods inventories consisted of the following (in thousands):

	January 3, 2026	December 28, 2024
Finished beds, including deliveries in-transit to those customers who have utilized home delivery services	\$ 33,135	\$ 34,725
Finished components that were ready for assembly for the completion of beds	28,249	39,634
Retail accessories	14,870	17,229
	\$ 76,254	\$ 91,588

**4. Property and Equipment**

Property and equipment consisted of the following (in thousands):

	January 3, 2026	December 28, 2024
Leasehold improvements	\$ 127,311	\$ 136,127
Furniture and equipment	144,877	153,106
Production machinery, computer equipment and software	272,407	300,486
Construction in progress	3,575	3,310
Less: Accumulated depreciation and amortization	(461,642)	(463,455)
	\$ 86,528	\$ 129,574

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**Notes to Consolidated Financial Statements - (continued)**

Depreciation for 2025, 2024 and 2023 was \$53 million, \$65 million and \$71 million, respectively.

**5. Goodwill and Intangible Assets, Net**

*Goodwill and Indefinite-lived Intangible Assets*

Goodwill was \$64 million at January 3, 2026 and December 28, 2024. Indefinite-lived trade name/trademarks totaled \$1.4 million at January 3, 2026 and December 28, 2024.

*Definite-lived Intangible Assets*

	January 3, 2026		December 28, 2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Developed technologies	\$ 18,851	\$ 18,851	\$ 18,851	\$ 18,851
Patents	1,972	1,229	1,972	1,002
	\$ 20,823	\$ 20,080	\$ 20,823	\$ 19,853

There was no amortization expense for developed technologies in 2025 or 2024. Amortization expense for developed technologies was \$1.2 million in 2023. Amortization expense for patents was \$0.2 million, in each of 2025, 2024 and 2023.

Annual amortization for definite-lived intangible assets for subsequent years are as follows (in thousands):

2026	\$ 222
2027	222
2028	155
2029	99
2030	45
Total future amortization for definite-lived intangible assets	\$ 743

**6. Credit Agreement**

As of January 3, 2026, the Company's credit facility had a total commitment amount of \$655 million. The credit facility, as amended, is for general corporate purposes and to meet seasonal working capital requirements. The Credit Agreement provides the lenders with a collateral security interest in substantially all of the Company's assets and those of its subsidiaries and requires the Company to comply with, among other things, a maximum net leverage ratio and a minimum interest coverage ratio.

The following tables summarizes the Company's borrowings under the credit facility (\$ in thousands):

	January 3, 2026	December 28, 2024
Outstanding borrowings	\$ 588,200	\$ 546,600
Outstanding letters of credit	8,800	7,147
Additional borrowing capacity	58,000	123,753
Weighted-average interest rate	7.8 %	7.6 %

On November 4, 2025, the Company amended the Credit Agreement. The amendment, among other things: (a) extends the maturity date of the Credit Agreement to December 3, 2027; (b) reduces the revolving credit facility from \$485 million to \$475 million, which decreases further to \$465 million on July 31, 2026; (c) replaces the leverage-based pricing grids

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**Notes to Consolidated Financial Statements - (continued)**

used to determine the Applicable Margin and Applicable Commitment Fee Rate (each as defined in the Credit Agreement) in favor of (I) with respect to Applicable Margin for Term SOFR Loans, (x) 4.0% until December 31, 2026 and (y) 4.25% starting January 1, 2027 and continuing thereafter, and (II) with respect to the Applicable Commitment Fee Rate, (x) 0.50% until December 31, 2026 and (y) 0.75% starting January 1, 2027 and continuing thereafter; (d) on each Regularly Scheduled Payment Date (as defined in the Credit Agreement) occurring on and after March 31, 2027, increases the amortization of outstanding term loans an additional \$1,250,000 (for an aggregate scheduled principal payment of \$3,750,000); (e) terminates the accordion feature; (f) adjusts the permissible maximum Net Leverage Ratio (as defined in the Credit Agreement) to (I) 5.25 to 1.00 for the quarterly reporting period ended September 27, 2025, (II) 4.50 to 1.00 for the quarterly reporting period ending January 3, 2026, (III) 4.75 to 1.00 for the quarterly reporting period ending April 4, 2026, (IV) 4.80 to 1.00 for the quarterly reporting period ending July 4, 2026, and (V) 4.00 to 1.00 for each quarterly reporting period thereafter; (g) adjusts the Liquidity financial covenant so that the Company must ensure that liquidity is no lower than \$30 million until September 30, 2026, and \$40 million for each monthly reporting period thereafter; (h) adjusts the permissible minimum Interest Coverage Ratio to (I) 1.50 to 1.00 for the quarterly reporting period ended September 27, 2025, (II) 2.10 to 1.00 for the quarterly reporting periods ending January 3, 2026 and April 4, 2026, (III) 1.80 to 1.00 for the quarterly reporting period ending July 4, 2026, (IV) 2.10 to 1.00 for the reporting period ending October 3, 2026, and (V) 2.20 to 1.00 for each quarterly reporting period occurring thereafter; (i) adds a new quarterly minimum EBITDA covenant test that begins for the quarterly reporting period ending April 4, 2026; (j) adjusts the consolidated EBITDA calculation to include an addback for certain expenses and costs incurred for the trailing twelve months for discontinued operations, downsized functions and employment expenses for laid-off employees; and (k) provides for additional and more frequent reporting requirements. In connection with the amendment, the Company also agreed to pay the lenders certain amendment fees and to reimburse the lenders for certain expenses.

The Company was in compliance with all financial covenants as of January 3, 2026.

## **7. Leases**

The Company leases its retail, office and manufacturing space under operating leases which, in addition to the minimum lease payments, may require payment of a proportionate share of the real estate taxes and certain building operating expenses. While the Company's local market development approach generally results in long-term participation in given markets, its retail store leases generally provide for an initial lease term of five to 10 years. Sleep Number's office and manufacturing leases provide for an initial lease term of up to 15 years. In addition, its mall-based retail store leases may require payment of variable rent based on net sales in excess of certain thresholds. Certain leases may contain options to extend the term of the original lease. The exercise of lease renewal options is at the Company's sole discretion. Lease options are included in the lease term only if exercise is reasonably certain at lease commencement. The Company lease agreements do not contain any material residual value guarantees. The Company also leases vehicles and certain equipment under operating leases with an initial lease term of three to six years.

The Company's operating lease costs include facility, vehicle and equipment lease costs, but exclude variable lease costs. Operating lease costs are recognized on a straight-line basis over the lease term, after consideration of rent escalations and rent holidays. The lease term for purposes of the calculation begins on the earlier of the lease commencement date or the date the Company takes possession of the property. During lease renewal negotiations that extend beyond the original lease term, the Company estimates straight-line rent expense based on current market conditions. Variable lease costs are recorded when it is probable the cost has been incurred and the amount can be reasonably estimated. Future payments for real estate taxes and certain building operating expenses for which the Company is obligated are not included in operating lease costs.

At January 3, 2026, the Company's finance lease right-of-use assets and lease liabilities were not significant.

The Company evaluates its operating lease ROU assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. During 2025, certain retail locations have ceased operations ("go-dark stores") but remain under lease obligations. As a result, the Company recorded impairment charges of \$17.7 million, which are included in restructuring costs in the consolidated statements of operations and cash flows. The Company continues to monitor its real estate footprint and may incur additional impairment charges in future periods.

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**Notes to Consolidated Financial Statements - (continued)**

Lease costs were as follows (in thousands):

	2025	2024	2023
Operating lease costs <sup>(1)</sup>	\$ 104,797	\$ 107,049	\$ 113,510
Variable lease costs <sup>(2)</sup>	\$ 174	\$ 43	\$ 278

<sup>(1)</sup> Includes short-term lease costs which are not significant.

<sup>(2)</sup> Variable lease costs include adjustments to percentage rent.

The maturities of operating lease liabilities as of January 3, 2026, were as follows<sup>(1)</sup> (in thousands):

2026	\$ 102,010
2027	88,395
2028	75,387
2029	53,696
2030	39,629
Thereafter	56,863
Total operating lease payments <sup>(2)</sup>	415,980
Less: Interest	61,678
Present value of operating lease liabilities	\$ 354,302

<sup>(1)</sup> Total operating lease payments exclude \$3 million of legally binding minimum lease payments for leases signed but not yet commenced.

<sup>(2)</sup> Includes the current portion of \$81 million for operating lease liabilities.

Other information related to operating leases was as follows:

	January 3, 2026	December 28, 2024
Weighted-average remaining lease term (years)	5.0	5.4
Weighted-average discount rate	6.7 %	6.6 %

(in thousands)	2025	2024	2023
Cash paid for amounts included in present value of operating lease liabilities <sup>(1)</sup>	\$ 105,915	\$ 108,116	\$ 108,294
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 58,281	\$ 57,712	\$ 69,396

<sup>(1)</sup> Cash paid for amounts included in present value of operating lease liabilities are included within the change in other accruals and liabilities within the Consolidated Statement of Cash Flows offset by non-cash right-of-use asset amortization and lease liability accretion.

## 8. Shareholders' Deficit

### Stock-Based Compensation Expense

Total stock-based compensation expense was as follows (in thousands):

	2025	2024	2023
Stock awards <sup>(1)</sup>	\$ 4,641	\$ 8,157	\$ 11,053
Stock options	1,641	3,287	3,802
Total stock-based compensation expense <sup>(1)</sup>	\$ 6,282	\$ 11,444	\$ 14,855

<sup>(1)</sup> Changes in annual stock-based compensation expense includes the cumulative impact of the change in the expected achievements of certain performance targets.

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**Notes to Consolidated Financial Statements - (continued)**

*Stock Options*

A summary of the Company's stock option activity was as follows (in thousands, except per share amounts and years):

	Stock Options	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value <sup>(1)</sup>
Outstanding at December 28, 2024	942	\$ 40.85	5.6	\$ —
Granted	—	—		
Exercised	—	—		
Canceled/Forfeited	(182)	33.86		
Outstanding at January 3, 2026	760	\$ 42.47	2.7	\$ —
Exercisable at January 3, 2026	739	\$ 42.85	2.6	\$ —
Vested and expected to vest at January 3, 2026	755	\$ 42.51	2.7	\$ —

<sup>(1)</sup> Aggregate intrinsic value includes only those options where the current share price is equal to or greater than the share price on the date of grant.

Other information pertaining to options was as follows (in thousands, except per share amounts):

	2025	2024	2023
Weighted-average grant date fair value of stock options granted	\$ —	\$ —	\$ 16.41
Total intrinsic value (at exercise) of stock options exercised	\$ —	\$ —	\$ 298

There were no grants or exercises of stock options for the fiscal year ended January 3, 2026 or December 28, 2024.

At January 3, 2026, there was \$0.3 million of total stock option compensation expense related to non-vested stock options not yet recognized, which is expected to be recognized over a weighted-average period of 0.5 years.

The assumptions used to calculate the fair value of options granted using the Black-Scholes-Merton option-pricing model were as follows. There were no grants of new stock option awards for the fiscal year ended January 3, 2026 or December 28, 2024.

<b>Valuation Assumptions</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
Expected dividend yield	— %	— %	0.0 %
Expected volatility	— %	— %	64 %
Risk-free interest rate	— %	— %	3.8 %
Expected term (years)	—	—	5.7

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**Notes to Consolidated Financial Statements - (continued)**

*Stock Awards*

Stock award activity was as follows (in thousands, except per share amounts):

	Time- Based Stock Awards	Weighted- Average Grant Date Fair Value	Performance- Based Stock Awards	Weighted- Average Grant Date Fair Value
Outstanding at December 28, 2024	813	\$ 18.60	777	\$ 31.74
Granted	1,233	7.36	751	6.36
Vested	(423)	20.28	—	—
Canceled/Forfeited	(500)	10.72	(422)	35.30
Outstanding at January 3, 2026	1,123	\$ 9.12	1,106	\$ 13.19

At January 3, 2026, there was \$6.8 million of unrecognized compensation expense related to non-vested time-based stock awards, which is expected to be recognized over a weighted-average period of 1.8 years, and \$3.7 million of unrecognized compensation expense related to non-vested performance-based stock awards, which is expected to be recognized over a weighted-average period of 2.1 years.

**Repurchases of Common Stock**

Repurchases of the Company's common stock were as follows (in thousands):

	2025	2024	2023
Amount repurchased under Board-approved share repurchase	\$ —	\$ —	\$ —
Amount repurchased in connection with the vesting of employee restricted stock grants	1,213	768	3,747
Total amount repurchased (based on trade dates)	\$ 1,213	\$ 768	\$ 3,747

As of January 3, 2026, the remaining authorization under the Board-approved \$600 million share repurchase program was \$348 million.

**Net Loss per Common Share**

The components of basic and diluted net loss per share were as follows (in thousands, except per share amounts):

	2025	2024	2023
Net loss	\$ (131,958)	\$ (20,334)	\$ (15,287)
<b>Reconciliation of weighted-average shares outstanding:</b>			
Basic weighted-average shares outstanding	22,883	22,606	22,429
Dilutive effect of stock-based awards	—	—	—
Diluted weighted-average shares outstanding	22,883	22,606	22,429
Net loss per share – basic and diluted	\$ (5.77)	\$ (0.90)	\$ (0.68)

Additional potential dilutive stock-based awards totaling 1.5 million, 1.2 million and 1.3 million for 2025, 2024 and 2023, respectively, have been excluded from the diluted net loss per share calculations because these stock-based awards were anti-dilutive. For 2025, 2024 and 2023, otherwise dilutive stock-based awards of 0.3 million, 0.1 million, and 0.1 million, respectively, have been excluded from the calculation of diluted weighted-average shares outstanding, as their inclusion would have had an anti-dilutive effect on net loss per diluted share.

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**Notes to Consolidated Financial Statements - (continued)**

**9. Revenue Recognition**

Deferred contract assets and deferred contract liabilities are included in the consolidated balance sheet as follows (in thousands):

	January 3, 2026	December 28, 2024
Deferred contract assets included in:		
Other current assets	\$ 28,704	\$ 30,154
Other non-current assets	33,522	48,988
	\$ 62,226	\$ 79,142

	January 3, 2026	December 28, 2024
Deferred contract liabilities included in:		
Other current liabilities	\$ 35,690	\$ 38,129
Other non-current liabilities	40,961	60,988
	\$ 76,651	\$ 99,117

During the years ended January 3, 2026, December 28, 2024 and December 30, 2023 the Company recognized revenue of \$42 million, \$36 million and \$36 million, respectively, that was included in the deferred contract liability balance at the beginning of the year.

Revenue from goods and services transferred to customers at a point in time accounted for approximately 97% of the Company's revenues for 2025, and 98% for 2024 and 2023.

Net sales consisted of the following (in thousands):

	2025	2024	2023
Retail stores	\$ 1,234,593	\$ 1,474,250	\$ 1,639,073
Online, phone, chat and other	176,857	208,046	248,409
Total Company	\$ 1,411,450	\$ 1,682,296	\$ 1,887,482

*Obligation for Sales Returns*

The activity in the sales returns liability account for 2025 and 2024 was as follows (in thousands):

	2025	2024
Balance at beginning of year	\$ 19,092	\$ 22,402
Additions that reduce net sales	67,411	91,375
Deduction from reserves	(73,686)	(94,685)
Balance at end of period	\$ 12,817	\$ 19,092

**10. Profit Sharing and 401(k) Plan**

Under the Company's profit sharing and 401(k) plan, eligible employees may defer up to 50% of their compensation on a pre-tax basis, subject to Internal Revenue Service limitations. Each pay period, the Company may make a discretionary contribution equal to a percentage of the employee's contribution. During 2025, 2024 and 2023, the Company's contributions, net of forfeitures, were \$5 million, \$7 million and \$10 million, respectively. Effective October 10, 2025, the Company suspended the 401(k) matching contribution due to current business performance.

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**Notes to Consolidated Financial Statements - (continued)**

**11. Restructuring Costs**

In the fourth quarter of 2023, the Company initiated cost reduction actions to reduce operating expenses and accelerate gross margin initiatives and recognized \$33.8 million of restructuring costs through December 28, 2024. The Company has incurred an additional \$50.7 million of restructuring costs in 2025. Charges incurred related to this initiative are primarily comprised of contract termination costs, severance and employee-related benefits, professional fees, right-of-use asset and property and equipment impairment charges and are included in the restructuring costs line in the Company's consolidated statement of operations. The Company expects approximately \$13 million of additional restructuring costs to be incurred during 2026, primarily due to lease and other contract termination costs and asset impairment charges.

During the years ended January 3, 2026 and December 28, 2024, the Company recognized \$50.7 million and \$18.1 million respectively, of restructuring costs, as follows (in thousands):

	2025	2024
<b>Cash restructuring costs:</b>		
Contract termination costs <sup>(1)</sup>	\$ 8,408	\$ 7,027
Severance and employee-related benefits	9,529	3,227
Professional fees and other	1,817	4,634
<b>Total cash restructuring costs</b>	<b>19,754</b>	<b>14,888</b>
<b>Non-cash restructuring costs:</b>		
Asset impairments <sup>(2)</sup>	30,943	3,178
<b>Total restructuring costs</b>	<b>\$ 50,697</b>	<b>\$ 18,066</b>

<sup>(1)</sup> Primarily comprised of strategic-development partner termination costs and lease termination costs.

<sup>(2)</sup> Primarily comprised of impairments of strategic-development partner long-lived assets, lease right-of-use assets and property and equipment.

The following table provides the activity in the Company's restructuring related liabilities, which are included within accounts payable, compensation and benefits and other current liabilities on the consolidated balance sheet (in thousands):

	2025	2024
Balance at December 28, 2024	\$ 3,341	\$ 8,720
Expenses	19,754	14,888
Cash payments	(17,019)	(20,267)
<b>Balance at January 3, 2026</b>	<b>\$ 6,076</b>	<b>\$ 3,341</b>

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**Notes to Consolidated Financial Statements - (continued)**

Since the initiation of cost reduction actions in the fourth quarter of 2023, the Company has recognized a cumulative \$84.5 million of restructuring costs, as follows (in thousands):

	<b>Cumulative</b>	
	<b>January 3, 2026</b>	
<b>Cash restructuring costs:</b>		
Contract termination costs <sup>(1)</sup>	\$	22,845
Severance and employee-related benefits		17,722
Professional fees and other		7,561
<b>Total cash restructuring costs</b>		<b>48,128</b>
<b>Non-cash restructuring costs:</b>		
Asset impairments <sup>(2)</sup>		36,363
<b>Total restructuring costs</b>	<b>\$</b>	<b>84,491</b>

<sup>(1)</sup> Primarily comprised of strategic-development partner termination costs and lease termination costs.

<sup>(2)</sup> Primarily comprised of impairments of strategic-development partner long-lived assets, lease right-of-use assets and property and equipment.

**12. Income Taxes**

The Company has adopted ASU 2023-09 on a prospective basis, which resulted in additional income tax disclosures for the rate reconciliation and related to income taxes paid for 2025. Given that the Company has elected to adopt ASU 2023-09 prospectively, the 2024 and 2023 rate reconciliation is not disaggregated in accordance with ASU 2023-09 and the income taxes paid are not presented by jurisdiction.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was enacted into law. The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act, including 100% bonus depreciation, domestic research cost expensing, and the business interest expense limitation. ASC 740, "Income Taxes", requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted, which occurred during the Company's second quarter of fiscal 2025. Therefore, the Company has reflected the effect of the OBBBA within the provision for income taxes for the fiscal year ended January 3, 2026.

*Provision for Income Taxes*

Income tax expense (benefit) consisted of the following (in thousands):

	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Current:</b>			
Federal	\$ 428	\$ 6,904	\$ 5,474
State	2,380	1,256	3,106
	2,808	8,160	8,580
<b>Deferred:</b>			
Federal	24,057	(12,568)	(10,151)
State	9,119	(754)	(2,895)
	33,176	(13,322)	(13,046)
<b>Income tax expense (benefit)</b>	<b>\$ 35,984</b>	<b>\$ (5,162)</b>	<b>\$ (4,466)</b>

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**Notes to Consolidated Financial Statements - (continued)**

The following table is a reconciliation of the U.S. federal statutory tax rate of 21 percent to the Company's effective tax rate for the year ended January 3, 2026 in accordance with the guidance in ASU 2023-09, which was adopted prospectively in 2025.

	<b>2025</b>	
Statutory federal income tax	\$ (20,154)	21.0 %
State and local income taxes <sup>(1)</sup>		
State and local income taxes	835	(0.8)
Changes in valuation allowance	9,512	(9.9)
Tax credits - research and development tax credit	(1,449)	1.5
Changes in valuation allowance	45,006	(46.9)
Nontaxable or nondeductible items		
Stock-based compensation	2,218	(2.3)
Other	548	(0.7)
Changes in unrecognized tax benefits	(361)	0.4
Other	(171)	0.2
<b>Effective income tax</b>	<b>\$ 35,984</b>	<b>(37.5)%</b>

<sup>(1)</sup> State taxes in California, Texas and Minnesota make up the majority of the effect of the state and local tax category.

The following table is a reconciliation of the U.S. federal statutory tax rate of 21 percent to our effective tax rate for the years ended December 28, 2024 and December 30, 2023 prior to the adoption of the guidance in ASU 2023-09

	<b>2024</b>	<b>2023</b>
Statutory federal income tax	21.0 %	21.0 %
State income taxes, net of federal benefit	0.8	(3.5)
R&D tax credits	9.0	14.1
Return to provision	6.2	6.1
Investment tax credit	—	1.1
Stock-based compensation	(9.5)	(6.2)
Non-deductible compensation	(2.6)	(5.7)
Non-deductible expenses	(2.1)	(2.8)
Changes in unrecognized tax benefits	(0.5)	(0.5)
Valuation allowance	(3.0)	—
Other	0.9	(1.0)
<b>Effective income tax rate</b>	<b>20.2 %</b>	<b>22.6 %</b>

The Company files income tax returns with the U.S. federal government and various state jurisdictions. In the normal course of business, the Company is subject to examination by federal and state taxing authorities. The Company is no longer subject to federal income tax examinations for years prior to 2022 or state income tax examinations prior to 2021.

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**Notes to Consolidated Financial Statements - (continued)**

*Deferred Income Taxes*

The tax effects of temporary differences that give rise to deferred income taxes were as follows (in thousands):

	2025	2024
<b>Deferred tax assets:</b>		
Stock-based compensation	\$ 5,243	\$ 7,090
Operating lease liabilities	88,673	97,604
Warranty and returns liabilities	4,139	5,880
Net operating loss carryforwards and credits	11,203	2,327
Compensation and benefits	6,172	7,220
Research and development	11,544	19,017
Interest	19,182	9,503
Other	7,705	4,163
Total gross deferred tax assets	153,861	152,804
Valuation allowance	(55,323)	(806)
Total gross deferred tax assets after valuation allowance	98,538	151,998
<b>Deferred tax liabilities:</b>		
Property and equipment	15,302	23,240
Operating lease right-of-use assets	77,923	89,276
Deferred revenue	1,453	2,516
Other	3,461	3,391
Total gross deferred tax liabilities	98,139	118,423
Net deferred tax assets	\$ 399	\$ 33,575

At January 3, 2026, the Company had net operating loss carryforwards for federal purposes of \$30.4 million and have an indefinite carryforward period. At January 3, 2026, the Company had net operating loss carryforwards for state purposes of \$25.5 million which expire from 2030 through 2055.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended January 3, 2026. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of January 3, 2026, a valuation allowance of \$55.3 million has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if additional objectively verifiable positive evidence materializes in future reporting periods, such as a demonstrated operating profitability.

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - (continued)**

*Income Taxes Paid*

In accordance with the guidance in ASU 2023-09 (which was adopted prospectively in 2025), net income tax paid in 2025 to the following jurisdictions were as follows (in thousands):

	<b>2025</b>
Cash paid for income taxes, net:	
Federal	\$ 7,036
State and local	
Texas	700
Illinois	194
Other	694
	1,588
Total cash paid for income taxes, net:	\$ 8,624

We paid net income tax and related interest of \$4 million and \$14 million in 2024 and 2023, respectively.

*Unrecognized Tax Benefits*

Reconciliations of the beginning and ending amounts of unrecognized tax benefits were as follows (in thousands):

	<b>Federal and State Tax</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Beginning balance	\$ 3,658	\$ 3,671	\$ 3,645
Increases related to current-year tax positions	419	639	753
Increases related to prior-year tax positions	121	51	40
Decreases related to prior-year tax positions	—	(15)	—
Lapse of statute of limitations	(957)	(688)	(601)
Settlements with taxing authorities	—	—	(166)
Ending balance	\$ 3,241	\$ 3,658	\$ 3,671

At January 3, 2026 and December 28, 2024, the Company had \$3.2 million and \$3.5 million, respectively, of unrecognized tax benefits, which if recognized, would affect its effective tax rate.

**13. Segments**

The Company's chief operating decision maker (CODM), who is the Chief Executive Officer, assesses company-wide performance and allocates resources based on consolidated financial information. Consequently, the Company views the entire organization as one reportable segment and the strategic purpose of all operating activities is to support that one segment.

The CODM manages the Company's business activities as a single operating and reportable segment at the consolidated level. The CODM uses net loss, as reported on the Company's consolidated statement of operations, in evaluating performance of the Company in determining how to allocate resources of the Company as a whole, including investing in the Company's product development, sales and marketing campaigns, and employee compensation. The measure of segment assets that is reviewed by the CODM is reported within the consolidated balance sheet as consolidated total assets. The CODM also uses consolidated earnings or losses before interest, taxes, depreciation and amortization (Adjusted EBITDA) as the basis for the CODM to evaluate the performance of the Company.

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - (continued)**

The following is a summary of the significant expense categories and consolidated net loss details provided to the CODM (in thousands):

	2025	2024	2023
Net Sales	\$ 1,411,450	\$ 1,682,296	\$ 1,887,482
<b>Less:</b>			
Cost of sales	(578,499)	(679,523)	(798,952)
Marketing expenses	(315,189)	(393,693)	(432,982)
Selling expenses	(349,046)	(372,931)	(414,460)
General and administrative	(130,669)	(148,736)	(145,949)
Research and development	(33,942)	(45,255)	(55,797)
Restructuring costs	(50,697)	(18,066)	(15,728)
Asset impairment charges	—	(1,220)	(673)
Interest expense	(49,382)	(48,368)	(42,694)
Income tax (expense) benefit	(35,984)	5,162	4,466
Net loss	\$ (131,958)	\$ (20,334)	\$ (15,287)

#### **14. Commitments and Contingencies**

##### *Legal Proceedings*

The Company is involved from time to time in various legal proceedings arising in the ordinary course of its business, including primarily commercial, product liability, employment and intellectual property claims. In accordance with U.S. GAAP, the Company records a liability in its consolidated financial statements with respect to any of these matters when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. If a material loss is reasonably possible but not known or probable, and may be reasonably estimated, the estimated loss or range of loss is disclosed. With respect to currently pending legal proceedings, the Company has not established an estimated range of reasonably possible material losses either because it believes that it has valid defenses to claims asserted against it, the proceeding has not advanced to a stage of discovery that would enable it to establish an estimate, or the potential loss is not material. The Company currently does not expect the outcome of pending legal proceedings to have a material effect on its consolidated results of operations, financial position or cash flows. Litigation, however, is inherently unpredictable, and it is possible that the ultimate outcome of one or more claims asserted against the Company could adversely impact its consolidated results of operations, financial position or cash flows. The Company expenses legal costs as incurred.

##### Purported Class Action Complaint

On September 27, 2024, a purported customer served a putative class action complaint on behalf of themselves and a putative class of California consumers against Sleep Number in the United States District Court for the Eastern District of California alleging that Sleep Number's beds are perpetually on sale in violation of California law. The plaintiff seeks injunctive relief, damages and attorney's fees. Sleep Number moved to dismiss the amended complaint, which motion the Magistrate recommended be granted by the Court without prejudice. The Magistrate's recommendation is pending with the Court.

##### *Consumer Credit Arrangements*

The Company refers customers seeking extended financing to certain third-party financiers (Card Servicers). The Card Servicers, if credit is granted, establish the interest rates, fees, and all other terms and conditions of the customer's account based on their evaluation of the creditworthiness of the customer. As the accounts are owned by the Card

**SLEEP NUMBER CORPORATION  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - (continued)**

Servicers, at no time are the accounts purchased or acquired from Sleep Number. The Company is not liable to the Card Servicers for its customers' credit defaults.

*Commitments*

As of January 3, 2026, the Company has \$28 million of inventory purchase commitments. As part of the normal course of business, there are a limited number of inventory supply contracts that contain penalty provisions for failure to purchase contracted quantities. The Company does not currently expect any material payments under these provisions.

At January 3, 2026, the Company had entered into 3 lease commitments primarily for future retail store locations. These lease commitments provide for total lease payments over the next 7 to 10 years, which if consummated based on current cost estimates, would approximate \$3 million over the initial lease term. The future lease payments for these lease commitments have been excluded in the total operating lease payments in Note 7, *Leases*.

**15. Subsequent Event**

During fiscal 2025, U.S. tariffs were imposed under the International Emergency Powers Act ("IEEPA") that applied to some of the Company's direct import products. On February 20, 2026, the U.S. Supreme Court ruled that the tariffs were unauthorized. The ruling did not address potential refunds. In light of this, there is uncertainty regarding the likelihood and timing of collection pending further direction from the courts and/or U.S. Customs.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company's management, with the participation of its chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this annual report. Based on this evaluation, its principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this annual report.

### **Management's Report on Internal Control Over Financial Reporting**

Sleep Number's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under these criteria, management concluded that its internal control over financial reporting was effective as of January 3, 2026. The report of Deloitte & Touche LLP, the Company's independent registered public accounting firm, regarding the effectiveness of the Company's internal control over financial reporting is included in this report in "Part II, Item 8, Financial Statements and Supplementary Data" under "Report of Independent Registered Public Accounting Firm."

### **Fourth Quarter Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the quarter ended January 3, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

During the quarter ended January 3, 2026, none of the Company's directors or officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of SEC Regulation S-K.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information under the captions "Our Board; Who We Are" and "Our Board; How We are Governed and Govern" in the Company's Proxy Statement for its 2026 Annual Meeting of Shareholders is incorporated herein by reference. Information concerning the Company's executive officers is included in Part I of this report under the caption "Information about the Company's Executive Officers."

The Company has adopted a Code of Business Conduct and Ethics applicable to its directors, officers and employees (including its principal executive officer, principal financial officer and principal accounting officer). The Code of Business Conduct and Ethics is available on the Investor Relations section of the Company's website at [www.sleepnumber.com](http://www.sleepnumber.com): select the "Investors" link, "Governance" link and then the "Governance Documents" link. In the event that the Company amends or waives any of the provisions of the Code of Business Conduct and Ethics applicable to the Company's principal executive officer, principal financial officer and principal accounting officer, the Company intends to disclose the same on its website. The Company also has adopted an Insider Trading Policy that applies to its directors, officers and employees who have access to material, nonpublic information regarding the Company. As described in the policy, filed as Exhibit 19.1 to this Annual Report on Form 10-K, the policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and NASDAQ listing standards.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information under the captions "How We Are Paid" for director compensation and "Our Pay" for executive compensation in the Company's Proxy Statement for its 2026 Annual Meeting of Shareholders is incorporated herein by reference.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

### **Stock Ownership**

The information under the caption "Our Shareholders; Stock Ownership of Management and Certain Beneficial Owners" in the Company's Proxy Statement for its 2026 Annual Meeting of Shareholders is incorporated herein by reference.

### **Securities Authorized for Issuance under Equity Compensation Plans**

The information under the caption "Proposal 7 - Vote on Proposed Amendment to the Sleep Number Corporation 2020 Equity Incentive Plan, As Amended; Equity Compensation Plan Information" in the Company's Proxy Statement for its 2026 Annual Meeting of Shareholders is incorporated herein by reference.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information under the caption "Provisions Applicable to All Directors; Related Party Transactions Policy" and "Provisions Applicable to All Directors; Independence," each under the heading "Our Board" in the Company's Proxy Statement for the 2026 Annual Meeting of Shareholders is incorporated herein by reference.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information under the caption “Proposal 5 - Ratification of Appointment of Independent Registered Public Accounting Firm” for Deloitte & Touche (PCAOB No. 34) in the Company’s Proxy Statement for the 2026 Annual Meeting of Shareholders is incorporated herein by reference.

### **PART IV**

## **ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

### **(a) Consolidated Financial Statements and Schedule**

#### **(1) Financial Statements**

All financial statements as set forth under Item 8 of this report.

#### **(2) Consolidated Financial Statement Schedule**

The following Report and financial statement schedule are included in this Part IV:

Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

#### **(3) Exhibits**

The exhibits to this Report are listed in the Exhibit Index below.

**SLEEP NUMBER CORPORATION**  
**EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED January 3, 2026**

Exhibit No.	Description
3.1	Third Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (File No. 000-25121))
3.2	Articles of Amendment to Third Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 contained in Sleep Number's Current Report on Form 8-K filed May 16, 2006 (File No. 000-25121))
3.3	Articles of Amendment to Third Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 contained in Sleep Number's Current Report on Form 8-K filed May 25, 2010 (File No. 000-25121))
3.4	Articles of Amendment to Third Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 contained in Sleep Number's Current Report on Form 8-K filed November 1, 2017 (File No. 000-25121))
3.5	Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 contained in Sleep Number's Current Report on Form 8-K filed May 22, 2017 (File No. 000-25121))
4.1	Description of Registrant's Securities (incorporated by reference to Exhibit 4.1 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (File No. 000-25121))
10.1	Lease Agreement dated September 22, 2015 between the Company and Truluck Industries, Inc. (incorporated by reference to Exhibit 10.3 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2015 (File No. 000-25121))
10.2	Lease Agreement dated September 30, 1998 between the Company and ProLogis Development Services Incorporated (incorporated by reference to Exhibit 10.28 contained in Sleep Number's Registration Statement on Form S-1, as amended, filed October 29, 1998 (Reg. No. 333-62793))
10.3	Second Amendment to Lease Agreement dated June 15, 2015 between the Company and CLFP - SLIC 8, L.P. (successor in interest to ProLogis Development Services Incorporated) (incorporated by reference to Exhibit 10.4 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2015 (File No. 000-25121))
10.4	Third Amendment to Lease Agreement dated August 27, 2019 between Sleep Number Corporation and IPT SALT LAKE CITY DC II LLC (successor in interest to CLFP - SLIC 8, L.P.) (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2019 (File No. 000-25121))
10.5	Lease Agreement between DCI 1001 Minneapolis Venture, LLC, as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016 (incorporated by reference to Exhibit 10.12 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 000-25121))
10.6	First Amendment, dated June 1, 2017, to Lease Agreement between DCI 1001 Minneapolis Venture, LLC, as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016 (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2017 (File No. 000-25121))
10.7	Second Amendment, dated May 25, 2023, to Lease Agreement between Legacy 1001 Minneapolis Venture, LLC (formerly known as DCI 1001 Minneapolis Venture, LLC), as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016 (incorporated by reference to Exhibit 10.7 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2023 (File No. 000-25121))
10.8	Third Amendment, dated December 26, 2024, to Lease Agreement between Legacy 1001 Minneapolis Venture, LLC, as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016, as amended (incorporated by reference to Exhibit 10.8 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 28, 2024 (File No. 000-25121))

<b>Exhibit No.</b>	<b>Description</b>
10.9	Fourth Amendment, dated May 27, 2025, to Lease Agreement between Legacy 1001 Minneapolis Venture, LLC, as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016, as amended (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2025 (File No. 000-25121))
10.10*	Fifth Amendment, dated December 2, 2025, to Lease Agreement between Legacy 1001 Minneapolis Venture, LLC, as Landlord, and Sleep Number Corporation, as Tenant, dated October 21, 2016, as amended
10.11†	Sleep Number Corporation Amended and Restated 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed May 15, 2013 (File No. 000-25121))
10.12†	Form of Nonstatutory Stock Option Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.20 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended January 1, 2011 (File No. 000-25121))
10.13†	Form of Non-Statutory Stock Option Award Agreement (Employee) under the Sleep Number Corporation Amended and Restated 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2019 (File No. 000-25121))
10.14†	Form of Non-Statutory Stock Option Award Agreement (Non-Employee Director) under the Sleep Number Corporation Amended and Restated 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.8 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2019 (File No. 000-25121))
10.15†	Sleep Number Executive Deferral Plan (incorporated by reference to Exhibit 10.17 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (File No. 000-25121))
10.16†	First Declaration of Amendment to Sleep Number Executive Deferral Plan effective as of January 1, 2026
10.17†	Summary of Executive Tax and Financial Planning Program (incorporated by reference to Exhibit 10.15 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (File No. 000-25121))
10.18†	Sleep Number Corporation Executive Severance Pay Plan (incorporated by reference to Exhibit 10.16 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (File No. 000-25121))
10.19†	Summary of Non-Employee Director Compensation (incorporated by reference to Exhibit 10.17 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (File No. 000-25121))
10.20†	Sleep Number Annual Incentive Plan (AIP) Effective December 29, 2024 (incorporated by reference to Exhibit 10.5 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended March 29, 2025 (File No. 000-25121))
10.21†	Offer Letter dated March 3, 2025 from Sleep Number Corporation to Linda Findley (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed March 5, 2025 (File No. 000-25121))
10.22†	Amendment dated March 31, 2025 to the Offer Letter dated March 3, 2025 from Sleep Number Corporation to Linda Findley (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed on March 31, 2025 (File No. 000-25121))
10.23†	Offer Letter dated November 17, 2025 from Sleep Number Corporation to Amy O'Keefe (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed December 2, 2025 (File No. 000-25121))

Exhibit No.	Description
10.24†	Transition and Advisory Agreement between Sleep Number Corporation and Shelly R. Ibach effective October 24, 2024 (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed October 30, 2024 (File No. 000-25121))
10.25†	Offer Letter dated June 29, 2023 from Sleep Number Corporation to Francis K. Lee (incorporated by reference to Exhibit 10.5 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2023 (File No. 000-25121))
10.26†	Interim Chief Financial Officer Agreement (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed July 22, 2025 (incorporated by reference to Exhibit 10.3 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2025 (File No. 000-25121))
10.27	Agreement, dated March 13, 2025, between Sleep Number Corporation and Stadium Capital Management, LLC (incorporate by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed on March 13, 2025 (File No. 000-25121))
10.28	Retailer Program Agreement effective as of January 1, 2014 by and between Synchrony Bank, Sleep Number Corporation and Select Comfort Retail Corporation (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2014 (File No. 000-25121)) <sup>(1)</sup>
10.29	Fifth Amendment to Retailer Program Agreement, dated July 15, 2022, by and between Synchrony Bank, Sleep Number Corporation and Select Comfort Retail Corporation (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2022 (File No. 000-25121)) <sup>(2)</sup>
10.30	Seventh Amendment to Retailer Program Agreement, dated August 28, 2023, by and between Synchrony Bank, Sleep Number Corporation and Select Comfort Retail Corporation (superseded the Sixth Amendment to Retailer Program Agreement, dated November 28, 2022) (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal
10.31	Eighth Amendment to Retailer Program Agreement, dated October 16, 2023, by and between Synchrony Bank, Sleep Number Corporation and Select Comfort Retail Corporation (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 (File No. 000-25121)) <sup>(2)</sup>
10.32	Ninth Amendment to Retailer Program Agreement, dated October 16, 2023, by and between Synchrony Bank, Sleep Number Corporation and Select Comfort Retail Corporation (incorporated by reference to Exhibit 10.3 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 (File No. 000-25121)) <sup>(2)</sup>
10.33	Amended and Restated Credit and Security Agreement, dated as of February 14, 2018 among Sleep Number Corporation, U.S. Bank National Association and the several banks and other financial institutions from time to time party thereto (incorporated by reference to Exhibit 10.29 contained in Sleep Number's Annual Report on Form 10-K for the fiscal year ended December 30, 2017 (File No. 000-25121))
10.34	Twelfth Amendment to Amended and Restated Credit and Security Agreement, dated as of November 4, 2025 among Sleep Number Corporation, U.S. Bank National Association and the several banks and other financial institutions from time to time party thereto (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2025 (File No. 000-25121))
10.35†	Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed May 13, 2020 (File No. 000-25121))
10.36†	Amendment No. 1 to the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed May 21, 2024 (File No. 000-25121))

Exhibit No.	Description
10.37†	Amendment No. 2 to the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Current Report on Form 8-K filed May 29, 2025 (File No. 000-25121))
10.38†	Form of Non-Statutory Stock Option Award Agreement (Non-Employee Director) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended June 27, 2020 (File No. 000-25121))
10.39†	Form of Non-Statutory Stock Option Award Agreement (Employee) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended June 27, 2020 (File No. 000-25121))
10.40†	Form of Non-Statutory Stock Option Award Agreement (Senior Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended April 3, 2021 (File No. 000-25121))
10.41†	Form of Restricted Stock Unit Award Agreement (Non-Employee Director) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended June 27, 2020 (File No. 000-25121))
10.42†	Form of Restricted Stock Unit Award Agreement (3-Year Ratable) (Sleep Number Labs) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended April 3, 2021 (File No. 000-25121))
10.43†	Form of Restricted Stock Unit Award Agreement (3-Year Cliff Vest) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended April 3, 2021 (File No. 000-25121))
10.44†	Form of Performance Adjusted Restricted Stock Unit Award Agreement under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended April 1, 2023 (File No. 000-25121))
10.45†	Form of Performance Adjusted Restricted Stock Unit Award Agreement (CEO and Executive Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended April 1, 2023 (File No. 000-25121))
10.46†	Form of Performance Adjusted Restricted Stock Unit Award Agreement (CEO and Executive Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended March 30, 2024 (File No. 000-25121))
10.47†	Form of Performance Adjusted Restricted Stock Unit Award Agreement (Executive Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 contained in Sleep Number's Quarterly Report on Form 10-Q for fiscal quarter ended March 29, 2025 (File No. 000-25121))
10.48†	Form of Restricted Stock Unit Award Agreement (Executive Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.42 contained in Sleep Number's Annual Report on Form 10-K for fiscal year ended December 28, 2024 (File No. 000-25121))
10.49†	Form of Performance Adjusted Restricted Stock Unit Award Agreement (CEO and Executive Team) under the Sleep Number Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 contained in Sleep Number's Annual Report on Form 10-K for fiscal year ended December 28, 2024 (File No. 000-25121))
10.50†	Form of Restricted Stock Unit with Modifier Award Agreement (Inducement RSU w/ Modifier) (incorporated by reference to Exhibit 99.1 contained in Sleep Number's Registration Statement on Form S-8 filed on April 15, 2025 (File No. 000-25121))

Exhibit No.	Description
10.51†	Form of Performance Stock Unit Award Agreement (Inducement PSUs) (incorporated by reference to Exhibit 99.2 contained in Sleep Number's Registration Statement on Form S-8 filed on April 15, 2025 (File No. 000-25121))
10.52†	Form of Restricted Stock Unit Award Agreement (Inducement RSUs) (incorporated by reference to Exhibit 99.3 contained in Sleep Number's Registration Statement on Form S-8 filed on April 15, 2025 (File No. 000-25121))
10.53†	Sleep Number Corporation Profit Sharing and 401(k) Plan (2022 Restatement) (incorporated by reference to Exhibit 99.1 to Sleep Number's Registration Statement on Form S-8 filed July 12, 2023 (File No. 000-25121))
10.54†	Sleep Number Corporation Profit Sharing and 401(k) Plan (2022 Restatement) (First Declaration of Amendment) effective May 30, 2022 (incorporated by reference to Exhibit 99.2 to Sleep Number's Registration Statement on Form S-8 filed July 12, 2023 (File No. 000-25121))
10.55†	Sleep Number Corporation Profit Sharing and 401(k) Plan (2022 Restatement) (Second Declaration of Amendment) effective January 1, 2022 (incorporated by reference to Exhibit 99.3 to Sleep Number's Registration Statement on Form S-8 filed July 12, 2023 (File No. 000-25121))
10.56†	Sleep Number Corporation Profit Sharing and 401(k) Plan (2022 Restatement) (Third Declaration of Amendment) effective as of December 31, 2022 (incorporated by reference to Exhibit 99.4 to Sleep Number's Registration Statement on Form S-8 filed July 12, 2023 (File No. 000-25121))
10.57†*	Sleep Number Corporation Profit Sharing and 401(k) Plan (2022 Restatement) (Fourth Declaration of Amendment) effective as of October 10, 2025
19.1*	Sleep Number Corporation Insider Trading Policy
21.1	Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to Sleep Number's Annual Report on Form 10-K for fiscal year ended December 28, 2024 (File No. 000-25121))
23.1*	Consent of Independent Registered Public Accounting Firm
24.1*	Power of Attorney
31.1*	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2*	Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
97.1†	Sleep Number Corporation Executive Clawback and Forfeiture Policy (incorporated by reference to Exhibit 97.1 contained in Sleep Number's Annual Report on Form 10-K filed on February 23, 2024 (File No. 000-25121))
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Confidential treatment has been requested by the issuer with respect to designated portions contained within document. Such portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

<sup>(2)</sup> Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

\* Filed herein.

† Management contract or compensatory plan or arrangement.

## **ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### SLEEP NUMBER CORPORATION

(Registrant)

March 12, 2026

By: /s/ Linda Findley  
Linda Findley  
President and Chief Executive Officer  
(principal executive officer)

By: /s/ Amy K. O'Keefe  
Amy K. O'Keefe  
Chief Financial Officer  
(principal financial officer)

By: /s/ Kelly F. Baker  
Kelly F. Baker  
Principal Accounting Officer  
(principal accounting officer)

## POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Linda Findley, Amy K. O’Keefe and Sam R. Hellfeld, and each of them, as such person’s true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in such person’s name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or such person’s substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date or dates indicated.

Name	Title	Date
/s/ Phillip M. Eyler	Chair of the Board	March 10, 2026
Phillip M. Eyler		
/s/ Linda A. Findley	Director	March 11, 2026
Linda A. Findley		
/s/ Julie M. Howard	Director	March 11, 2026
Julie M. Howard		
/s/ Deborah L. Kilpatrick	Director	March 10, 2026
Deborah L. Kilpatrick		
/s/ Stephen E. Macadam	Director	March 11, 2026
Stephen E. Macadam		
/s/ Angel L. Mendez	Director	March 10, 2026
Angel L. Mendez		
/s/ Hilary A. Schneider	Director	March 11, 2026
Hilary A. Schneider		

**SLEEP NUMBER CORPORATION AND SUBSIDIARIES**

**Schedule II - Valuation and Qualifying Accounts  
(in thousands)**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Allowances for credit losses</b>			
Balance at beginning of period	\$ 1,113	\$ 1,437	\$ 1,267
Additions charged to costs and expenses	952	2,145	1,437
Deductions from reserves	(1,371)	(2,469)	(1,267)
Balance at end of period	\$ 694	\$ 1,113	\$ 1,437



sleep ↔ number.