

# Company Update

## November 2018



LEG (NYSE)  
[www.leggett.com](http://www.leggett.com)

*Leggett & Platt®*

## Forward-Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to achieve its longer-term operating targets, the impact of the Tax Cuts and Jobs Act, price and product competition from foreign and domestic competitors, changes in demand for the company’s products, cost and availability of raw materials and labor, fuel and energy costs, future growth of acquired companies, general economic conditions, possible goodwill or other asset impairment, foreign currency fluctuation, litigation risks, and other factors described in the company’s Form 10-K and Form 10-Q’s. Any forward-looking statement reflects only the company’s beliefs when the statement is made. Actual results could differ materially from expectations, and the company undertakes no duty to update these statements.

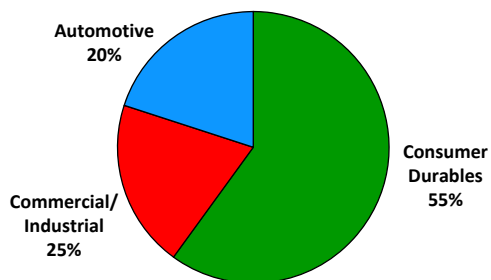
# TSR Focused Mid-Cap Manufacturer

- ❑ Targeting **Total Shareholder Return in top third** of S&P 500
- ❑ **~4.0%** dividend **yield**; 47 consecutive annual increases
- ❑ **Strong** balance sheet and cash flow
- ❑ **Leader** in most markets; few/no large competitors
- ❑ Poised for **continued growth**
  - Internal initiatives + market growth + acquisitions
- ❑ Management has **“skin in the game”**
  - Significant stock owners; forego comp in exchange for shares
  - Incentive comp aligned with TSR focus

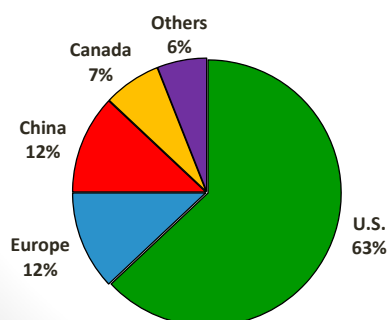
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## Our Markets

Macro Market Exposure

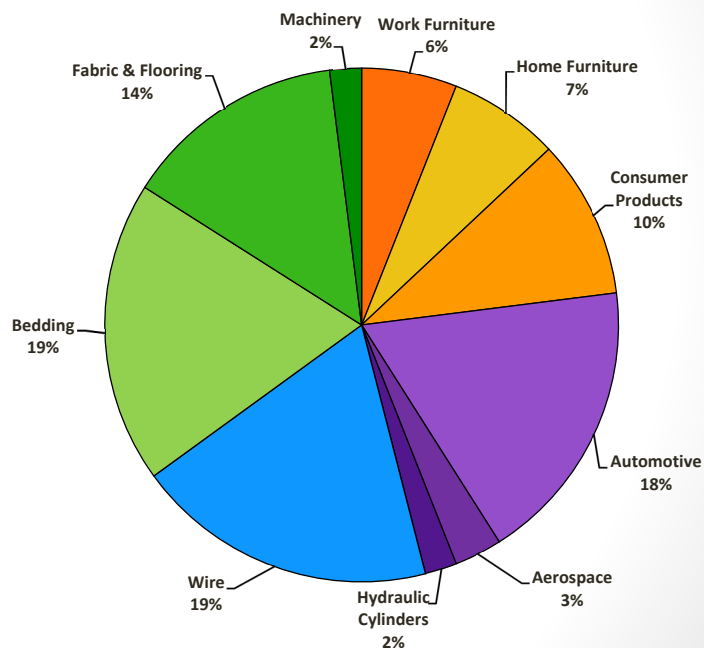


Geographic Split (based on production)



Product Mix

% of 2018 est. total sales



4 segments; 10 groups

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# Elite Comfort Solutions Acquisition

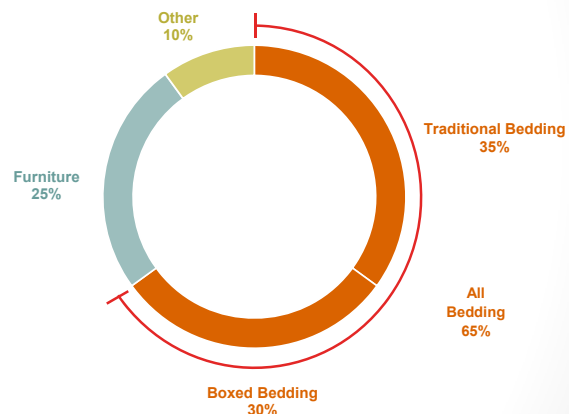
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## ECS: Leading Provider of Proprietary Foam Technology for Bedding and Furniture Markets

- ❑ **Headquarters:** Newnan, GA
- ❑ **Markets Served:** Primarily Bedding and Furniture
- ❑ **Customers:** Serves leading traditional bedding and boxed bed brands
- ❑ **Key Raw Materials:** Polyol, TDI, MDI
- ❑ **Operational Footprint:** National manufacturing footprint, with 16 U.S. facilities covering all major U.S. regions
  - 2 facilities engaged in development and manufacturing of chemicals and additives used in foam production
  - Provides market diversity and production capacity to support growth
  - Large-scale specialty foam producer with a strong West Coast manufacturing presence (4 facilities)



**ECS Sales by End Market**



*ECS will be a separate business unit within the Residential Products segment; ECS management team to continue leading the business; expect to maintain all 16 facilities*

# ECS Transaction Overview

## CONSIDERATION

- LEG to acquire ECS for \$1.25 billion in cash

## FINANCING

- Planned expansion of commercial paper program and related revolving credit agreement; issuance of \$500 million 5-year term loan
- Commitment to rapidly deleveraging and maintaining a strong, investment grade credit rating
- Post closing, LEG may refinance a portion of outstanding commercial paper through issuance of notes in the debt capital markets

## FINANCIAL PROFILE

- FY 9/30/18 sales of \$611 million
- Expected to generate double-digit sales growth and strong EBITDA margins that are accretive to company average margins
- Expected to have a slightly negative effect on EBIT margins due to purchase accounting
- In 2019, expect net interest expense of ~\$90 million, diluted shares of ~136 million, ~23% tax rate
- Expected to be neutral to EPS in 2019; accretive to EPS beginning in 2020
- Maintaining commitment to long-term dividend growth; expect to extend 47-year dividend growth track record

## CLOSING & CONDITIONS

- Expected to close in January 2019

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# Creating a Leading Provider of Differentiated Products for the Bedding Industry



## Establishes a Global Leader in Bedding Technology and Manufacturing

- Gain critical capabilities in propriety foam technology, along with scale in the production of private-label finished mattresses, toppers and pillows
- Leverage ECS's position as the leader in innovative, high-quality specialty foam
- Diversified customer mix and strong position in the high-growth boxed bed market segment



## Adds R&D Capabilities and Proprietary Foam Technologies

- Utilize ECS's substantial proprietary and patented technology to develop unique specialty foam products for individual customers
- Create new hybrid products through best-in-class specialty foam innovation and spring technologies



## Positions the Company to Grow

- Leverage ECS's core competency in boxed bed innovation and capitalize on this new and growing sales channel
- Capture greater share of global specialty foam for bedding
- Capitalize on trends including growth of online mattress channel, emergence of boxed bed brands, and increasing use of hybrid and specialty grade foam in compressed and conventional mattresses

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# Strategy

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## TSR in Top Third of S&P 500

### Sources of TSR: Growth, Margin Improvement, Dividend Yield, and Share Buybacks

$$\text{Total Shareholder Return} = (\Delta \text{ Stock Price} + \text{Dividends}) / \text{Initial Price}$$

**Revenue Growth Target:** 6-9% annually

**Margin Improvement:** Growth in attractive markets, product development, cost savings, efficiency impr.

**Dividend Payout Target:** 50-60% of earnings

**Excess Cash Use:** Stock Buyback

# TSR Performance

	3-year CAGR				Target
	13-16	14-17	15-18 <sup>2</sup>	17-20 <sup>4</sup>	
Revenue Change	3	2	3	8	6-9
<i>ex divestitures/deflation/currency</i>	7	5	5		
Margin Change	12	6	(5)	3	1
Change in Multiple	--	(5)	-	1	--
Dividend Yield	3	3	3	3	3
Stock Buyback	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Annual TSR</b>	<b>20</b>	<b>7</b>	<b>2</b>	<b>16</b>	<b>11-14</b>
<b>% Rank in S&amp;P 500<sup>1</sup></b>	<b>11%</b>	<b>56%</b>	<b>82%<sup>3</sup></b>		

<sup>1</sup> 1% is best.

<sup>2</sup> TSR estimated based on mid-point of 2018 guidance and assumes a \$41 year-end share price.

<sup>3</sup> Relative TSR performance through October 2018.

<sup>4</sup> TSR estimated based on 2020 operating targets.

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## Growth Framework

- ❑ Targeting 6-9% average annual revenue growth; organic + acquisition
- ❑ Three avenues of growth:
  1. **Recent Growth Sources** should continue for at least next few years
  2. Implemented a **Growth Identification Process** → to generate profitable growth initiatives in current markets
  3. Utilizing our **Styles of Competition** → to identify longer-term opportunities in new attractive markets

**Enhanced framework for consistent, disciplined long-term profitable growth**

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# 1. Recent Growth Sources

- ❑ Market growth + **Other Sources**
  - Targeting 8% annual growth through 2020
- ❑ **Other Sources** include:
  - Content gains in Automotive and Bedding
  - Adjustable Bed share gains and market growth
- ❑ Program awards, customer focus, consumer preference trends support growth for at least the next few years
- ❑ Acquisitions should also contribute to growth
  - Averaged ~2% acquisition growth over past several years

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# 2. Growth Identification Process

- ❑ Implemented **Growth Toolkit** to generate profitable growth initiatives in current markets
- ❑ Toolkit framework:
  1. Analyze our current markets and define attractive spaces for growth
  2. Identify specific opportunities within spaces of interest and prioritize based on potential for value creation
  3. Determine action plans, including both **Organic** and **Acquisition** initiatives

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# 3. Styles of Competition

- ❑ Defines and measures “**fit**” based on fundamentals of where and how we currently compete
- ❑ Lens used longer term to identify, screen, and pursue opportunities across **more diverse and faster-growing markets**
- ❑ Leggett’s predominant style is **Critical Components**
  - ~60% of sales; typically higher margins/returns
  - Majority of recent sales growth
- ❑ Precision Hydraulic Cylinders acquired January 31, 2018

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# PHC Acquisition

- ❑ PHC annual revenue of ~\$85 million; slightly EPS accretive
- ❑ Formed new growth platform in Hydraulic Cylinders
- ❑ \$5 billion addressable market; primarily construction equipment, material handling, and transportation
  - Global market growth ~5%+
  - Growth via: geographic expansion + penetration in existing markets
- ❑ Strong fit with “Critical Components” Style of Competition
  - Highly engineered, co-designed components
  - Long product life cycles
  - Small part of end product’s total cost
  - Many large OEM customers

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# Acquisition Criteria Unchanged

- ❑ Strategy: clear strategic rationale; sustainable competitive advantage; strong “fit” with L&P
- ❑ Financials: TSR accretive; IRR > 10%
- ❑ **New Platforms:** revenue > \$50m; strong management; subsequent growth opportunity
  - Mkt size > \$250m; growing > GDP
  - Industry EBIT margin approximates Leggett’s average
- ❑ **Add-on** businesses: revenue > \$15m; significant synergy; strategic fit in an existing BU

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# Sources of Margin Improvement

## Short-Term Opportunities:

- ❑ Recover cost inflation
- ❑ Expanding **metal margin**
  - Steel rod prices increase while scrap costs stabilize

## Longer Term Opportunities:

- ❑ **Portfolio management**
  - Continue to invest in our advantaged businesses
  - Improve or exit low-margin operations
- ❑ **New products** with higher margins
- ❑ Incremental **volume**
  - **25-35%** contribution margin in businesses with spare capacity
- ❑ **Continuous improvement**
  - Management tools
  - Cost reduction, efficiency, etc.

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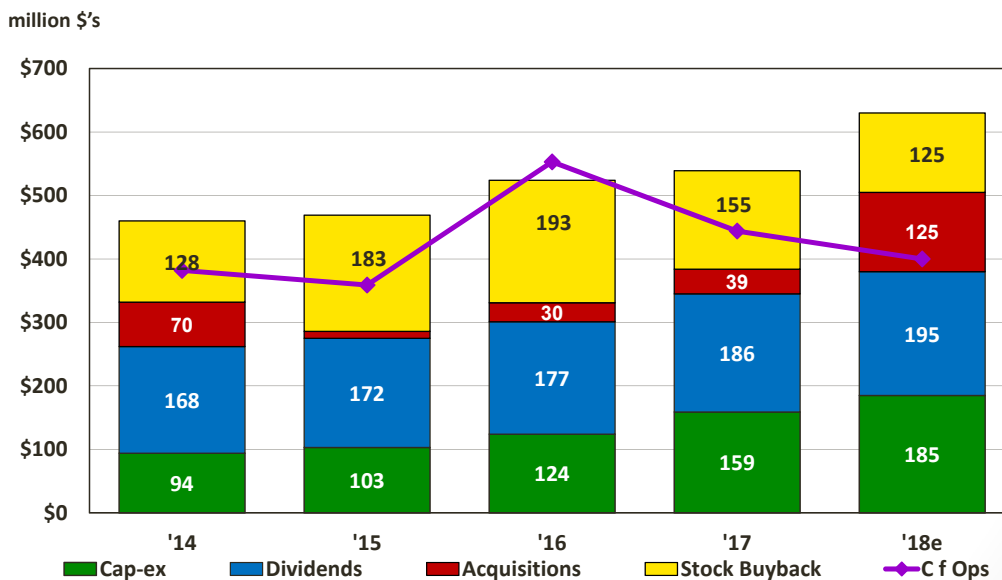
# Priorities for Use of Cash

1. Fund organic growth in attractive businesses
  - Capital expenditures
  - Working capital investments
2. Increase dividends
  - **47 year history** of dividend increases
    - Member of S&P 500 *Dividend Aristocrats*
3. Fund strategic acquisitions
4. Repurchase stock with available cash, if any remains

**Operating Cash has exceeded Dividends & Capital Expenditures every year for nearly 30 years**

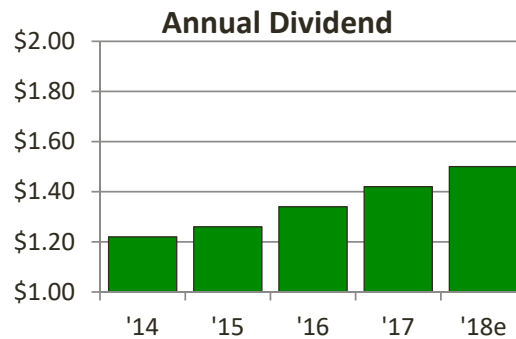
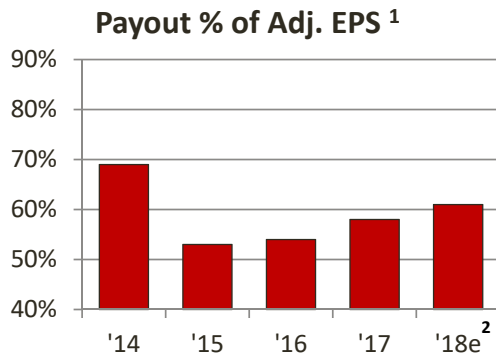
# Operating Cash & Uses

- ❑ Continued strong cash from operations
- ❑ Cash use consistent with stated priorities



# Dividend Growth

- Dividend payout target is **50-60% of earnings**
- Dividend growth should approximate earnings growth



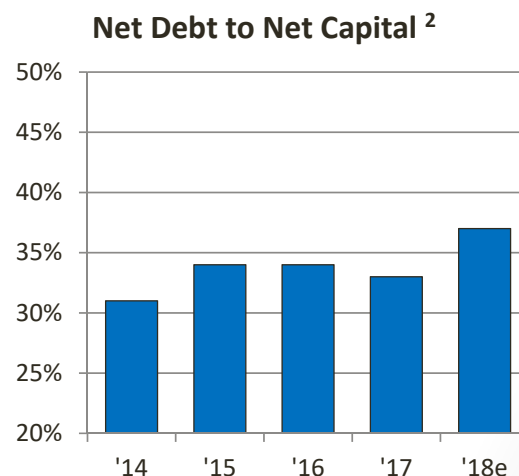
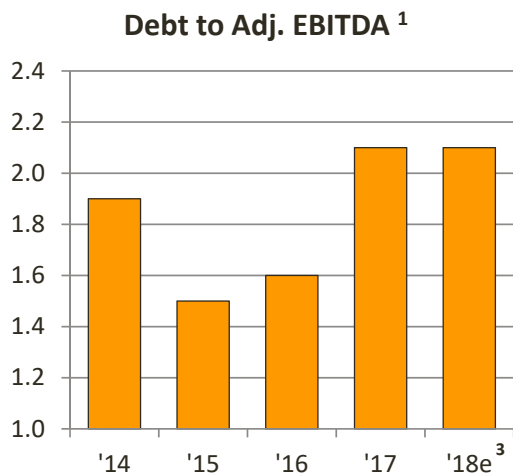
<sup>1</sup> EPS from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

<sup>2</sup> 2018 estimates based on mid-point of guidance.

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# Strong Balance Sheet

- Maintaining priority on financial strength
- Flexibility to pursue attractive investment opportunities



<sup>1</sup> EBITDA from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

<sup>2</sup> See appendix for calculation of Net Debt to Net Capital.

<sup>3</sup> 2018 estimates based on mid-point of guidance.

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# Current Topics

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## Q3 2018 Highlights

- ❑ Sales were up 8%, to \$1,092 million
  - Organic sales grew 6% and acquisitions, net of divestitures, added 2%
  - Volume added 3%; raw material-related selling price increases, partially offset by currency impact, added 3%
- ❑ EPS from continuing ops of \$.67, up \$.06 vs. \$.61 in Q3-17
- ❑ EBIT of \$124 million, up 6% vs. Q3-17 adjusted<sup>1</sup> EBIT
- ❑ EBIT margin of 11.4%, down 20 bps vs. adjusted<sup>1</sup> EBIT margin in Q3-17
- ❑ Cash from ops of \$127 million, vs. \$105 million in Q3-17
- ❑ Adjusted working capital at 12.0% of annualized sales
- ❑ Net debt to net capital at 41.3% (target is 30-40%)
  - Debt to TTM EBITDA of 2.3x

<sup>1</sup> See Appendix for non-GAAP adjustments.

# Commodity Impact

- ❑ Primary commodity exposure is steel; ~25% of RM's
- ❑ Main categories are scrap, rod, and flat-rolled
  - Many grades of scrap – market data is generally available
  - Limited credible data to track moves in other types of steel
- ❑ Impact from inflation/deflation
  - Typically pass through; lag is ~90 days
- ❑ LIFO accelerates inflation/deflation into COGS
- ❑ Changes in metal margin (mkt price for rod - mkt price for scrap) also impact earnings
  - Our scrap cost and rod pricing moves with the market; large swings cause Industrial Products segment earnings volatility

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## 2018 Guidance (issued 10/25/18)

- ❑ Sales guidance of approximately \$4.25 billion (the low-end of our prior range of \$4.25 - \$4.35 billion); 8% growth versus 2017
  - Assumes low-single-digit volume growth; raw material-related selling price increases should also add to sales growth
  - Acquisitions, net of divestitures, expected to add 2% to sales
- ❑ EPS reduced to \$2.40-\$2.50, versus prior range of \$2.55-\$2.70
  - Lower than previously expected sales in Automotive
  - Pricing lag on raw material increases in European Spring, Flooring Products and Fabric
  - Continued volume weakness in Home Furniture and European Spring
  - Promotional activity and lower overhead recovery in Adjustable Bed
- ❑ Implied EBIT margin of 10.8% to 11.2%
- ❑ Operating cash is expected to approximate \$400 million
- ❑ Cap-ex of ~\$185 million
- ❑ Full year tax rate of ~21%
  - 1Q = 18%; 2Q = 21%; 3Q = 21%; 4Q = ~23%
- ❑ Diluted shares of ~135 million

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# Macro Indicators

## ❑ **Consumer confidence**

- More crucial than home sales since majority (~2/3rds) of bedding/furniture purchases are replacement of existing product
- “Large ticket” purchases that are deferrable

## ❑ **Total housing** turnover

- Combination of **new and existing** home sales

## ❑ Employment levels

## ❑ Consumer discretionary spending

## ❑ Interest rate levels

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# Key Take-Aways

- ❑ **TSR in top-third of S&P 500** remains key financial goal
- ❑ Enhanced framework for long-term **profitable growth**
- ❑ Maintaining vigilant **capital discipline**
- ❑ **Dividend growth** remains a top priority
- ❑ Optimistic about near/medium-term opportunities

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**FOR ADDITIONAL INFORMATION**

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Find our Fact Book at [www.leggett.com](http://www.leggett.com).

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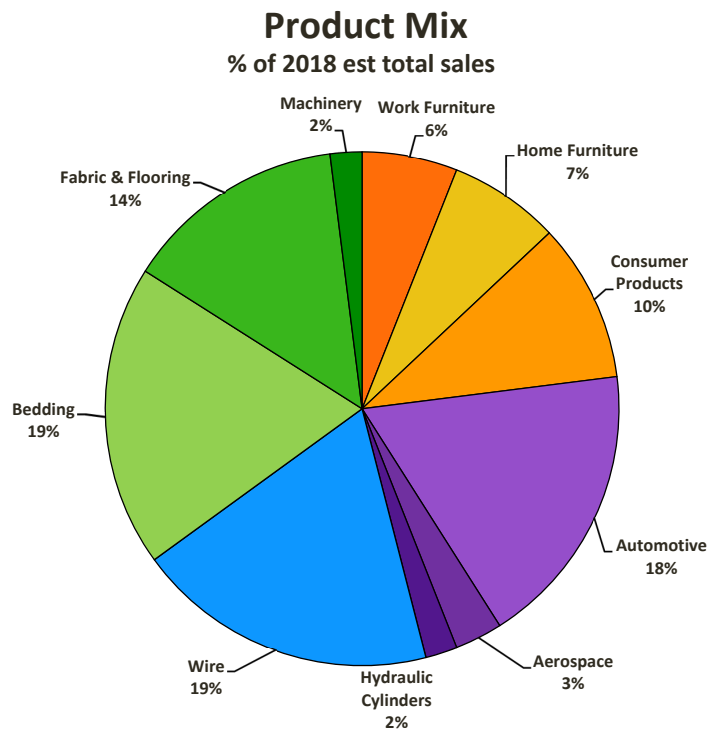
VP, Investor Relations  
Director, Investor Relations  
Manager, Investor Relations

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# Additional Information

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## Product Mix

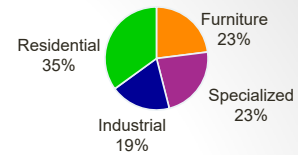


4 segments; 10 groups; 14 business units



# Segments

% of 2018 est total sales



## Residential Products

### Bedding

- Mattress springs
- Foundations

### Fabric & Flooring Products

- Textile converting
- Flooring underlayment
- Geo components

### Machinery

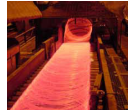
- Quilting and sewing machinery for bedding mfg.
- Mattress packaging and glue-drying equipment



## Industrial Products

### Wire

- Drawn steel wire
- Steel rod



## Furniture Products

### Work Furniture

- Chair controls, bases, frames
- Private-label finished seating

### Home Furniture

- Recliner mechanisms
- Seating and sofa sleeper components

### Consumer Products

- Adjustable beds
- Fashion beds
- Bed frames



## Specialized Products

### Automotive

- Auto seat support and lumbar systems
- Motors, actuators & cables

### Aerospace

- Tubing
- Tube assemblies

### Hydraulic Cylinders

- Hydraulic cylinders used in forklifts, lift trucks, construction equipment, truck-mounted cranes, aerial work platforms, and other equipment



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# Customers Include

## In North America:

Aaron's	Corsicana	Lowe's	Serta
Adient	Haworth	Magna	Simmons
Airbus	Herman Miller	Mattress Firm	Steelcase
Ashley Furniture	HNI	MCF*	Tempur Sealy
Best Home Furniture	JLG (Oshkosh)*	Overhead Door	Toyota Boshoku
Berkshire Hathaway	La-Z-Boy	Rooms-to-Go	Toyota Industrial Equip*
Boeing	Lear	Sanyo	Walmart
Caterpillar*	Lincoln Electric	Select Comfort	Wayfair

## In Europe and Asia:

Hilding Anders	Steinhoff	Hay	Dauphin
Silentnight Beds	Eurasia	Howe	Profim
Dreams	Kuka	Fritz Hansen	Faurecia
Nestledown	Natuzzi	Himolla	Volkswagen

## Diverse Customer Base – Low Concentration

\*Caterpillar, JLG (Oshkosh), Mitsubishi Caterpillar Forklift and Toyota Industrial Equipment are customers of PHC, our January 2018 acquisition in the hydraulic cylinders industry.

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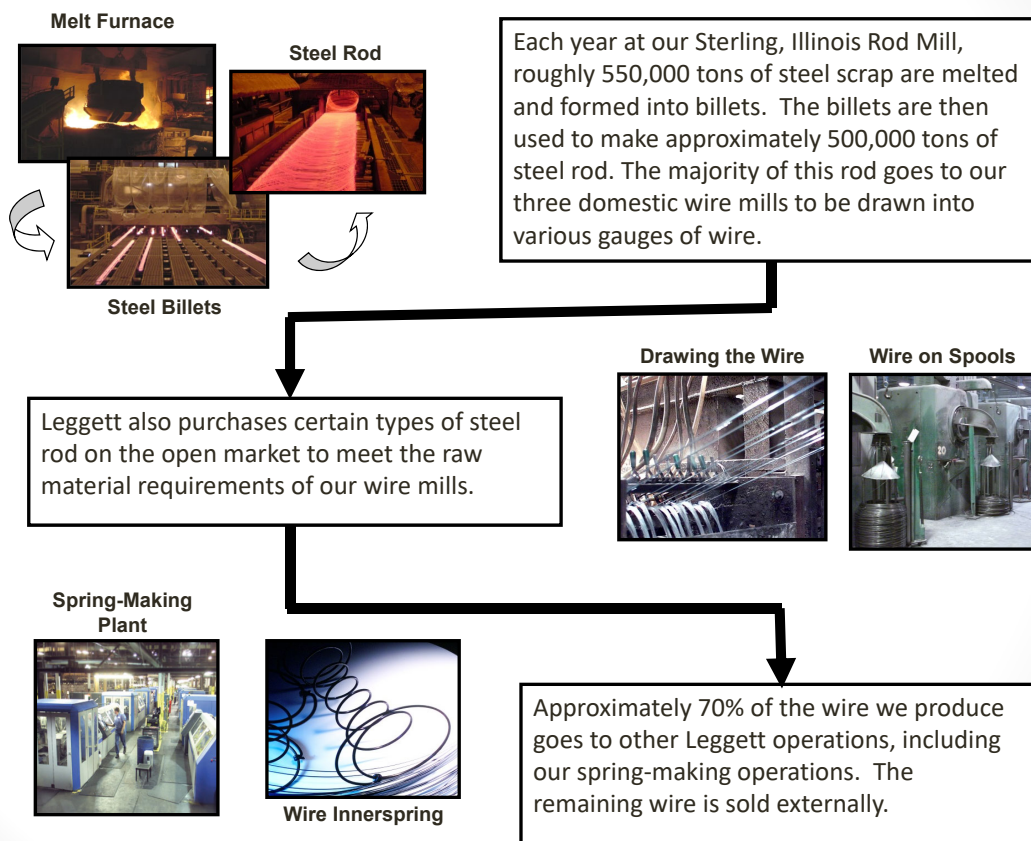
# Cost Structure

## Cost of Goods Sold composition (approximate):

- ❑ 55% Materials, composed of:
  - Steel ~25% of RMs
  - Woven & non-woven fabrics ~15% of RMs
  - Foam scrap, fibers, chemicals ~10% of RMs
  - Titanium, nickel, stainless ~2% of RMs
  - Others, including sub-assemblies, hardware, components, finished products purchased for resale, etc. ~50% of RMs
- ❑ 20% Labor (includes all burden and overhead)
- ❑ 25% Other, composed of:
  - Depreciation, utilities, maintenance, supplies -- each ~3% of COGS
  - Shipping/transportation ~10% of COGS
  - Other also includes rent, insurance, property tax, etc.
- ❑ Costs are roughly 75% variable, 25% fixed
- ❑ \$10 million of incremental volume (produced utilizing spare capacity) yields ~\$2.5-\$3.5 million of additional EBIT

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# Vertical Integration in Steel



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# Strong Peer Group

## Diversified Manufacturers

w/ Ticker & Fortune 1000 Ranking (May 2018)

Leggett Ranking = 609

<b>CSL</b>	<b>Carlisle</b>	<b>595</b>	<b>ITW</b>	<b>Illinois Tool Works</b>	<b>204</b>
<b>DHR</b>	<b>Danaher</b>	<b>162</b>	<b>IR</b>	<b>Ingersoll Rand</b>	<b>n/a</b>
<b>DOV</b>	<b>Dover</b>	<b>360</b>	<b>MAS</b>	<b>Masco</b>	<b>373</b>
<b>ETN</b>	<b>Eaton Corp</b>	<b>n/a</b>	<b>PNR</b>	<b>Pentair</b>	<b>n/a</b>
<b>EMR</b>	<b>Emerson</b>	<b>178</b>	<b>PPG</b>	<b>PPG Industries</b>	<b>191</b>

## Characteristics of the Group

Multiple Business Segments  
 Sell Mainly to Other Manufacturers  
 Low Customer Concentration  
 Stamp, Cast, & Machine Materials  
 Moderate Labor & Capital Intensity

Primarily Manufacturers  
 In "Old Economy" Markets  
 Complex; Hard to Grasp  
 Old, Established Firms  
 Diverse Products

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# Governance/Directors

November 2018

- ❑ 8 Non-Management Directors (out of 10 total)
- ❑ Only Non-Mgmt Directors on Key Board Committees

## Non-Mgmt

		<u>Age</u>	<u>Joined</u>	<u>Position</u>	<u>Firm</u>
Robert Brunner	✧	61	2009	Retired EVP	ITW
Robert Culp	✧ ✧	72	2013	Chairman	Culp, Inc.
R. Ted Enloe †	✧ ✧ ✧	80	1969	Managing Partner	Balquita Partners
Manuel Fernandez	✧ ✧	72	2014	Managing Director	SI Ventures
Joe McClanathan	✧ ✧ ✧	66	2005	Retired President & CEO	Energizer Household Products
Srikanth Padmanabhan	✧	54	2018	Vice President	Cummins Inc.
Judy Odom	✧ ✧ ✧	66	2002	Retired Chair & CEO	Software Spectrum
Phoebe Wood	✧ ✧	65	2005	Principal	CompaniesWood

## Management

Karl Glassman	60	2002	President & CEO	Leggett & Platt
Matt Flanigan	56	2010	EVP & CFO	Leggett & Platt

† Independent Board Chair

Committees: ✧ Audit ✧ Compensation ✧ Nominating & Corporate Governance

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# Compensation Rewards Strong Performance

- ❑ Annual Incentive
  - Based on current year **ROCE, free cash flow**, and individual goals
- ❑ Performance Stock Units
  - Long-term equity-based, significant portion of total comp for execs
  - Three-year performance period with two equal measures
    - **Relative TSR performance** (vs. peer group of ~320 companies)
    - Company or segment **EBIT CAGR**
- ❑ Deferred Comp Program
  - Opportunity (in December) to **forego** a portion of next year's cash salary and bonus to **buy** stock units

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# Other Strategy Details

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## Strategic Shift Outlined in 2007

### What We Said:

**Goal = TSR in top third of S&P 500**

Sources: **Growth, Margin Improvement,  
Dividend Yield, and Share Buybacks**

#### **3 STEPS:**

- 1. FOCUS** by divesting low performing businesses
- 2. IMPROVE** margins & returns on assets we keep
- 3. GROW** revenue, long-term, at 4-5% annually

- ❑ Successfully executed **“Focus”** and **“Improve”**
- ❑ Now turning more attention to **Growth**

# TSR Targets & Performance

## 3-year CAGR

	07-16 <u>Target</u>	12-15 <u>Actual</u>	13-16 <u>Actual</u>	Revised <u>Target</u>
Revenue Change <i>ex divest/deflation/currency</i>	4-5	5 7	3 7	6-9
Margin Change	2-3	11	12	1
Change in Multiple	--	(2)	--	--
Dividend Yield	3-4	4	3	3
Stock Buyback	2-4	<u>2</u>	<u>2</u>	<u>1</u>
<b>Annual TSR</b>	<b>12-15</b>	<b>20</b>	<b>20</b>	<b>11-14</b>

% Rank in S&P 500<sup>1</sup>

31%

11%

<sup>1</sup> Goal is top third for S&P 500. 1% is best.

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# Role-Based Portfolio Management

- Strategic Planning Process
  - Assess market attractiveness and Leggett's advantages
  - 3-year plan to achieve  $\geq 10\%$  TBR/year
  - Used to determine portfolio role
- Place each BU into Portfolio Role
  - Grow, core, fix, or divest
  - Different goals for each
    - Grow: profitable **Growth**
    - Core: maximize **Cash**
    - Fix: rapidly **Improve**

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# Criteria for Role Assignments

	<u>GROW</u>	<u>CORE</u>	<u>FIX / DIVEST</u>
1. COMPETITIVE POSITION	Advantaged	Solid, Stable	Tenuous or Disadvantaged
2. MARKET ATTRACTIVE?	Strong, Growing	Attractive, but with Lower Growth Potential	Poor or Declining
3. FIT w/ LEGGETT	Strong	Strong	Limited
4. RETURN (ROGI)	Consistently > 12%	Stable, 9-12%	Erratic or < WACC
5. BU SIZE & MATERIALITY	Large, Significant	Large, Significant	Inconsequential, Distracting

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# Expectations by Portfolio Role

❑ All: Credible Path to  $\geq 10\%$  TBR Required, else Exit

❑ Grow: Provide Profitable **Growth**; Return  $>$  WACC

- Invest capital in competitively advantaged positions
- Identify major organic, M&A, or rollup investments

❑ Core: **Generate Cash**; Return  $\geq$  WACC

- Maintain stable, competitive positions to generate cash
- Aggressively improve EBITDA and free cash flow
- Profitably grow market share, but with minimal capex
- Enhance productivity; reduce costs, overhead, working capital

❑ Fix: **Rapidly** Restructure, else Exit

- Limited time to achieve return  $\geq$  WACC, else divest / liquidate

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# Critical Components Style Defined

		Dimension	Characteristic
Where we compete	Product / Service / Solution	1. Role in value chain	Translate <b>RM or components</b> into critical component
		2. Functional role	<b>Functionally essential</b> to end product
		3. % of finished COGS	<b>&lt;25%</b> of finished COGS
	Industry Structure	4. Customer set	Concentrated in <b>few large customers</b>
		5. Competitive set	<b>Small private</b> companies w/ single focus
	Economics	6. Gross margin	Earns <b>attractive returns</b> at ~20-30% GM
		7. Asset intensity	<b>Light manufacturing</b> ~2x asset turns
How we compete		8. Deep customer engagements	<b>Deep understanding of customer</b> design, production pain points, long-term relationships
		9. Collaborative design	<b>Co-design</b> products/components for <b>better functionality</b> and lower total cost
		10. Flexible mfg	<b>Long-run SKUs</b> that can be adjusted to deliver <b>custom specs</b> w/ minimal additional capital
		11. Continuous cost improvement	<b>Continuous cost improvement</b> throughout life of long run-length SKUs

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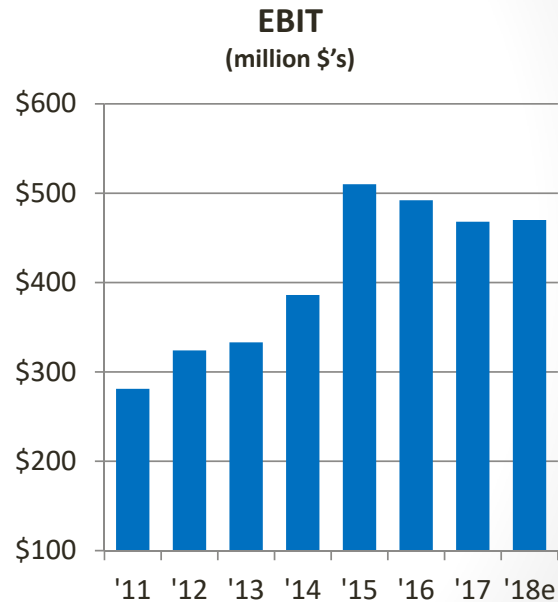
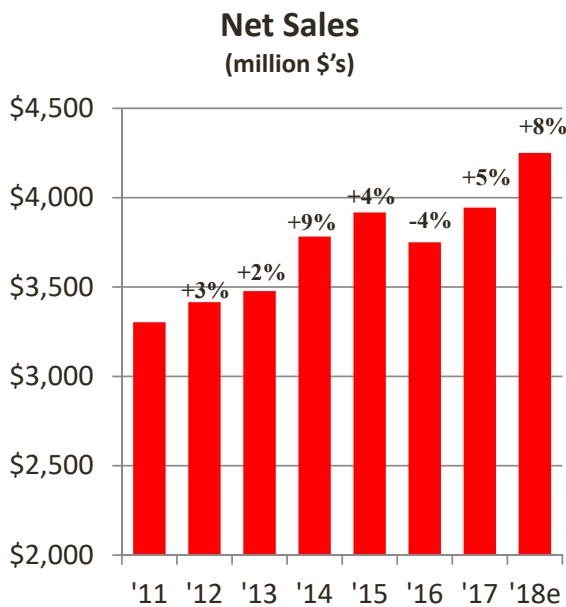
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# Financial Information

*Leggett & Platt*

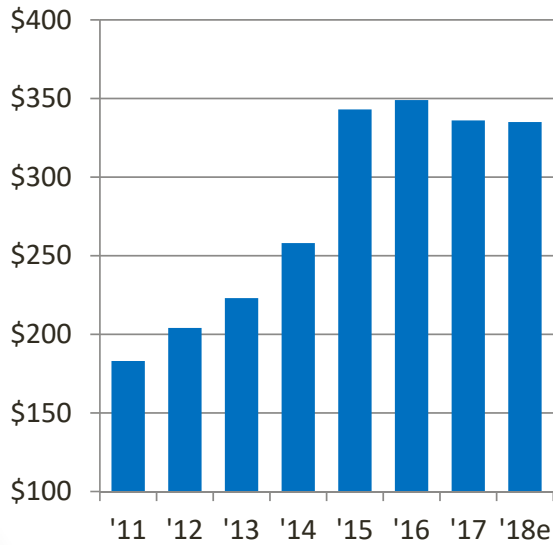
## Sales and EBIT



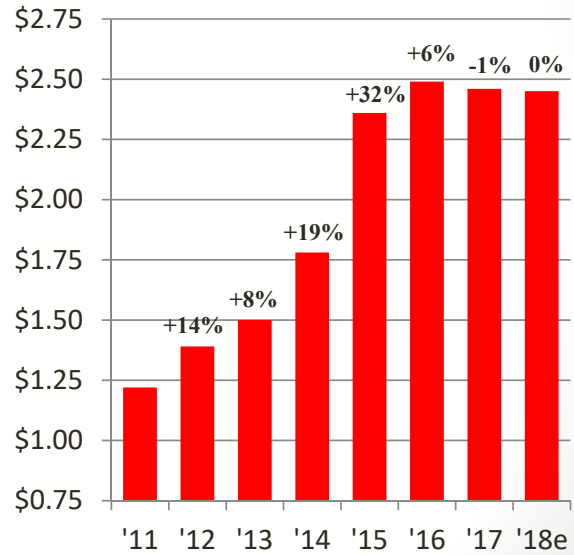
- Amounts are from continuing operations and exclude unusual items. See appendix for non-GAAP recon.
- 2018 estimates are based on mid-point of guidance.

# Net Earnings and EPS

**Net Earnings**  
(million \$'s)



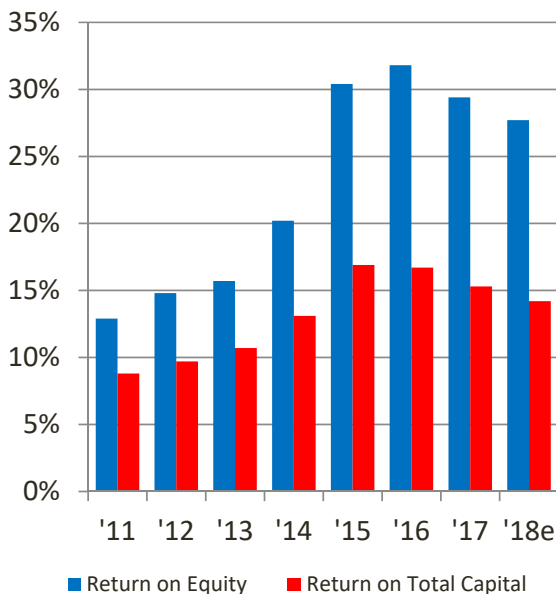
**EPS**  
(\$'s per share)



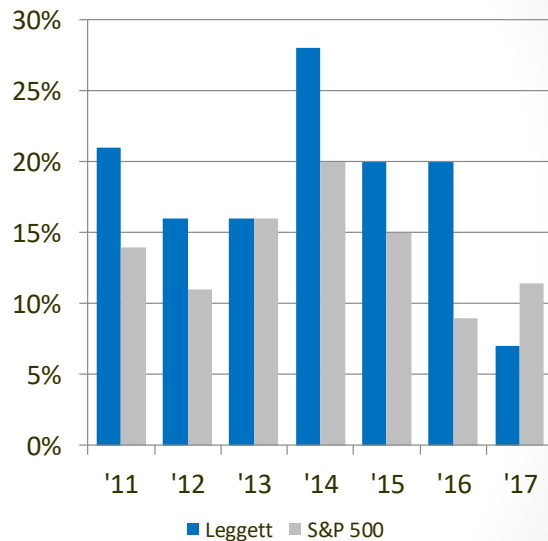
- Amounts are from continuing operations and exclude unusual items. See appendix for non-GAAP recon.
- 2018 estimates are based on mid-point of guidance.

# Returns and TSR

**Returns**

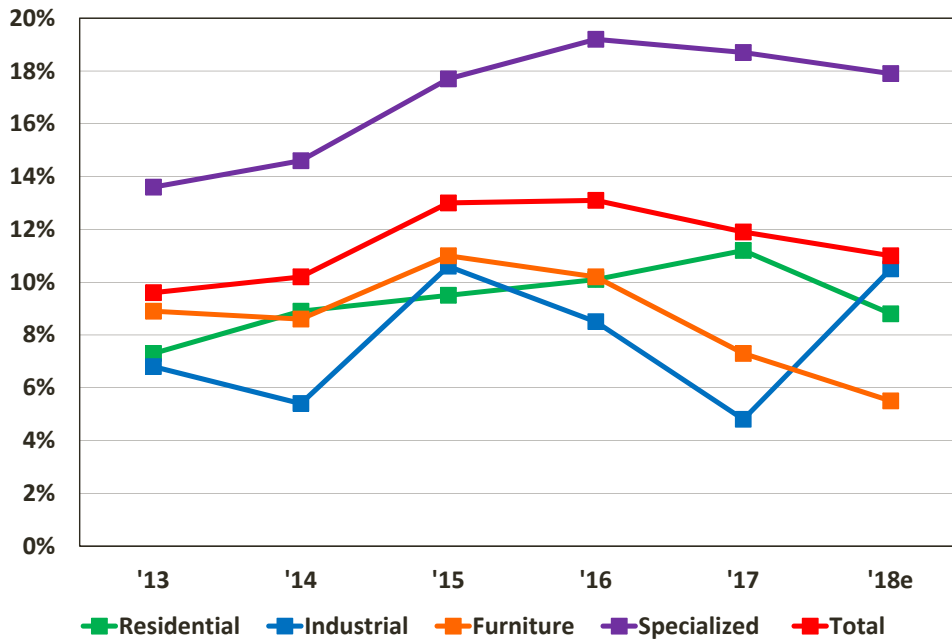


**3-Year Avg TSR - at year end**



- See appendix for return calculations.
- 2018 estimates are based on mid-point of guidance.
- TSR assuming dividends continually reinvested.

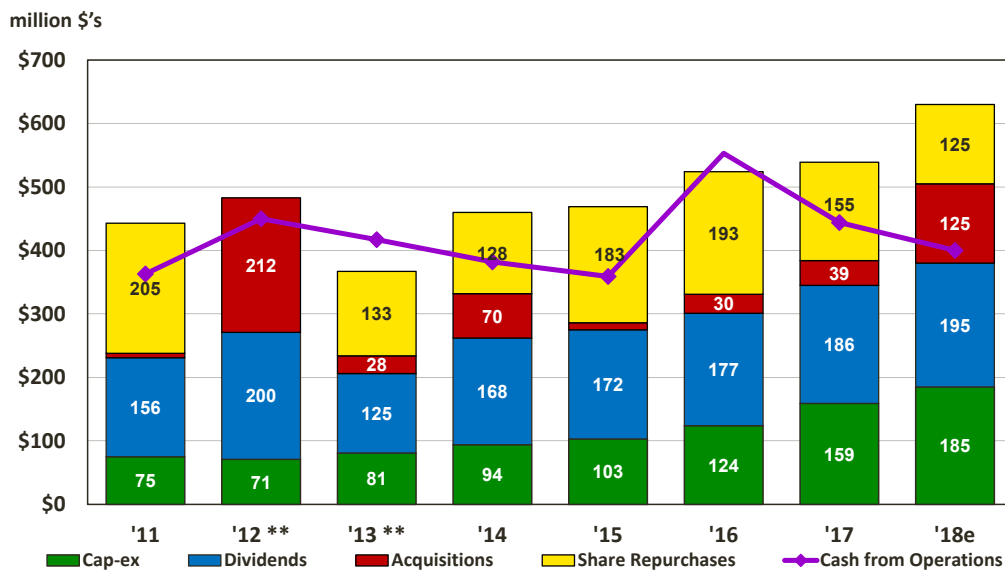
# Segment EBIT Margins



- Amounts exclude unusual items. See appendix for non-GAAP recon.
- 2018 estimates are based on mid-point of guidance.

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# Uses of Cash Flow



\*\* 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec 2012 in anticipation of higher tax rates.

Operating Cash > Capital expenditures + Dividends for nearly 30 years

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# Cash Flow Details

<u>\$'s in millions</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018e<sup>3</sup></u>
Net Income	156	251	200	101	329	386	293	335
Deprec & Amort	117	116	123	118	113	115	126	135
Def Income Taxes	(1)	(22)	(33)	(40)	24	18	16	
Impairment & Other	54	17	83	124	19	15	11	
Working Capital	(14)	57	26	54	(171)	15	(80)	(100)
Other Non-Cash <sup>2</sup>	<u>17</u>	<u>31</u>	<u>18</u>	<u>25</u>	<u>45</u>	<u>4</u>	<u>78</u>	<u>30</u>
<b>Cash from Operations</b>	<b>329</b>	<b>450</b>	<b>417</b>	<b>382</b>	<b>359</b>	<b>553</b>	<b>444</b>	<b>400</b>
<b>Uses of Cash</b>								
Capital Expenditures	(75)	(71)	(81)	(94)	(103)	(124)	(159)	(185)
Dividends <sup>1</sup>	(156)	(200)	(125)	(168)	(172)	(177)	(186)	(195)
Acquisitions	(7)	(212)	(28)	(70)	(11)	(30)	(39)	(125)
Share Repurchases	(205)	6	(133)	(128)	(183)	(193)	(155)	(125)

<sup>1</sup> 5 qtr dividends paid in 2012 and 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec-2012 in anticipation of higher tax rates.

<sup>2</sup> 2017 Other Non-Cash includes \$67 million in deemed repatriation taxes as a result of the Tax Cuts and Jobs Act.

<sup>3</sup> 2018 estimated net income is based on mid-point of guidance.

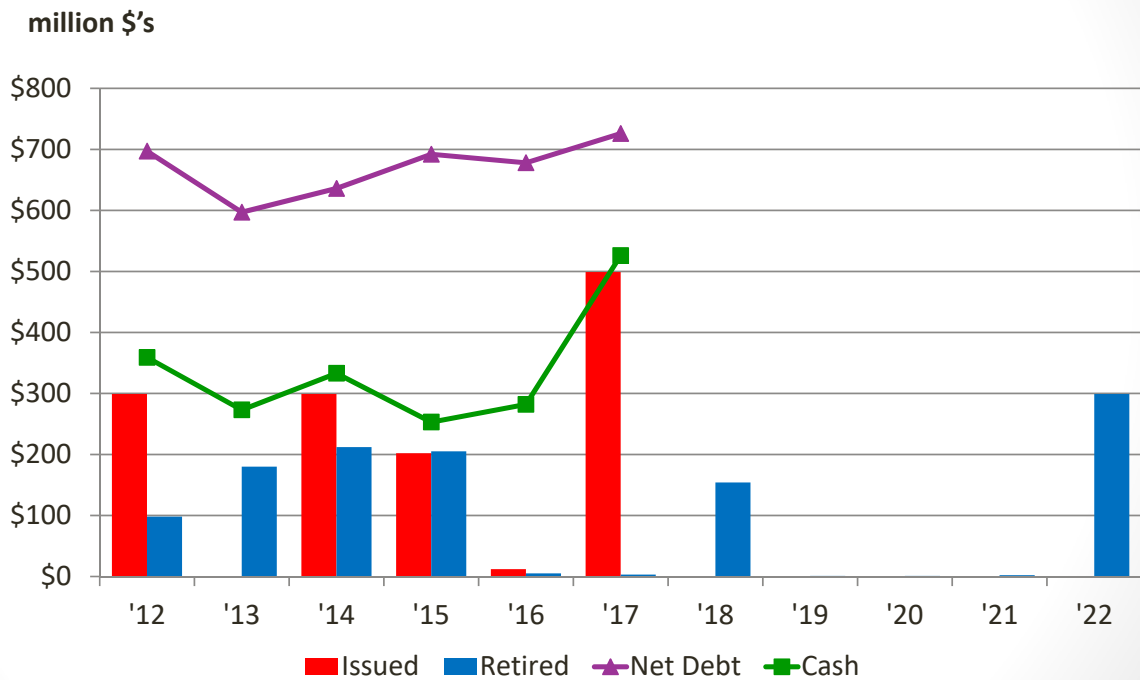
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# Debt Structure (at 9/30/2018)

- ❑ \$1,357 million total debt
  - 3.6% avg. rate, 7.0 years avg. maturity
  - \$993 million net debt (\$1,357m debt less \$364m cash)
- ❑ \$545 million available commercial paper
  - Backed by \$800 million revolver
    - 14 participating banks
    - Matures in November 2022

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# Debt Issued and Retired



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# Financial Metrics Defined

- **TSR: Total Shareholder Return**
  - Total benefit investor realizes from owning our stock
  - $(\Delta \text{ stock price} + \text{dividends}) / \text{initial stock price}$
- **EBIT CAGR: Compound Annual Growth Rate of EBIT**
- **ROCE: Return on Capital Employed**
  - Drives ~60-70% of annual bonus at operating level & corporate
  - $\text{EBIT} / (\text{working capital (ex cash \& current debt)} + \text{net PP\&E})$
- **FCF: Free Cash Flow**
  - Drives ~20-30% of annual bonus at operating level and corporate
  - $\text{EBITDA} - \text{capex} \pm \Delta \text{ working capital (ex cash \& current debt)}$

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# Appendix

## Non-GAAP Reconciliations

*Leggett & Platt*

### Non-GAAP Adjustments, Continuing Ops

(\$ millions, except EPS)	2011	2012	2013	2014	2015	2016	2017
<b>Non-GAAP Adjustments (\$'s)<sup>1</sup></b>							
Gain from real estate sale	-	-	-	-	-	-	(23)
Restructuring-related charges	15	-	-	-	-	-	-
Impairment charges	-	-	67	-	6	4	5
Litigation accruals	-	-	-	54	6	-	-
Acq-related bargain purchase gain	-	-	(9)	-	-	-	-
Pension settlement charge	-	-	-	-	12	-	15
Gain/loss from sale of business	-	-	-	-	-	(27)	3
Litigation settlement gain	-	-	-	-	-	(7)	-
<b>Non-GAAP adjustments (pre-tax \$'s)</b>	<b>15</b>	<b>-</b>	<b>58</b>	<b>54</b>	<b>23</b>	<b>(30)</b>	<b>-</b>
Income tax impact	(5)	-	(21)	(21)	(9)	12	-
TCJA impact <sup>2</sup>	-	-	-	-	-	-	50
Unusual tax items	-	(27)	-	-	-	-	(8)
<b>Non-GAAP adjustments (after tax \$'s)</b>	<b>10</b>	<b>(27)</b>	<b>37</b>	<b>33</b>	<b>15</b>	<b>(18)</b>	<b>42</b>
Diluted shares outstanding	147.0	146.0	147.2	143.2	142.9	140.0	137.3
<b>EPS impact of non-GAAP adjustments</b>	<b>\$.07</b>	<b>\$ (.18)</b>	<b>\$.25</b>	<b>\$.23</b>	<b>\$.09</b>	<b>\$ (.13)</b>	<b>\$.32</b>

<sup>1</sup> Calculations impacted by rounding.

<sup>2</sup> Tax Cuts and Jobs Act of 2017.

# Reconciliation of Adj EBIT, Adj EBIT Margin, Adj Earnings, and Adj EPS

(\$ millions, except EPS)	2011	2012	2013	2014	2015	2016	2017
EBIT (continuing operations)	\$266	\$324	\$275	\$332	\$487	\$522	468
Non-GAAP adjustments, pre-tax <sup>1</sup>	15	-	58	54	23	(30)	-
<b>Adjusted EBIT (cont. operations)</b>	<b>\$281</b>	<b>\$324</b>	<b>\$333</b>	<b>\$386</b>	<b>\$510</b>	<b>\$492</b>	<b>\$468</b>
Net sales	\$3,303	\$3,415	\$3,477	\$3,782	\$3,917	\$3,750	\$3,944
<b>Adjusted EBIT margin</b>	<b>8.5%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>10.2%</b>	<b>13.0%</b>	<b>13.1%</b>	<b>11.9%</b>
Earnings from cont. operations	\$173	\$231	\$186	\$225	\$328	\$367	\$294
Non-GAAP adjustments, after tax <sup>1</sup>	10	(27)	37	33	15	(18)	42
<b>Adj Earnings from cont. operations</b>	<b>\$183</b>	<b>\$204</b>	<b>\$223</b>	<b>\$258</b>	<b>\$343</b>	<b>\$349</b>	<b>\$336</b>
Diluted EPS from cont. operations	\$1.15	\$1.57	\$1.25	\$1.55	\$2.27	\$2.62	\$2.14
EPS impact from non-GAAP adjs <sup>1</sup>	.07	(.18)	.25	.23	.09	(.13)	.32
<b>Adjusted EPS from cont. operations</b>	<b>\$1.22</b>	<b>\$1.39</b>	<b>\$1.50</b>	<b>\$1.78</b>	<b>\$2.36</b>	<b>\$2.49</b>	<b>\$2.46</b>

<sup>1</sup> See slide 60 for adjustment details.

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# Calculation of Return on Equity and Return on Total Capital

(\$ millions)	2011	2012	2013	2014	2015	2016	2017	2018e <sup>3</sup>
<b>Return on Equity</b>								
Earnings from cont. operations	\$173	\$231	\$186	\$225	\$328	\$367	\$294	\$335
Non-GAAP adjustments, after tax <sup>1</sup>	10	(27)	37	33	15	(18)	42	-
Adj earnings from cont. operations	\$183	\$204	\$223	\$258	\$343	\$349	\$336	\$335
Avg shareholder equity	\$1,416	\$1,375	\$1,421	\$1,277	\$1,126	\$1,096	\$1,142	\$1,210
<b>Adj. Return on Avg. Equity</b>	<b>12.9%</b>	<b>14.8%</b>	<b>15.7%</b>	<b>20.2%</b>	<b>30.4%</b>	<b>31.8%</b>	<b>29.4%</b>	<b>27.7%</b>
<b>Return on Total Capital</b>								
Adj earnings from cont. operations	\$183	\$204	\$223	\$258	\$343	\$349	\$336	\$335
Plus: After-tax interest expense	28	31	34	31	30	30	34	45
	\$211	\$235	\$257	\$289	\$373	\$379	\$370	\$380
Avg total capital <sup>2</sup>	\$2,402	\$2,424	\$2,398	\$2,210	\$2,204	\$2,270	\$2,426	\$2,670
<b>Adj. Return on Avg. Total Capital</b>	<b>8.8%</b>	<b>9.7%</b>	<b>10.7%</b>	<b>13.1%</b>	<b>16.9%</b>	<b>16.7%</b>	<b>15.3%</b>	<b>14.2%</b>

<sup>1</sup> See slide 60 for adjustment details.

<sup>2</sup> Total capital = long-term debt + shareholder equity + d. taxes + other LT liabilities.

<sup>3</sup> 2018 estimates are based on mid-point of guidance.

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## Calculation of Dividend Payout % of Adjusted EPS

	2014	2015	2016	2017	2018e <sup>2</sup>
Diluted EPS from cont. operations	\$1.55	\$2.27	\$2.62	\$2.14	\$2.45
EPS impact from non-GAAP adjs <sup>1</sup>	.23	.09	(.13)	.32	-
<b>Adjusted EPS from cont. operations</b>	<b>\$1.78</b>	<b>\$2.36</b>	<b>\$2.49</b>	<b>\$2.46</b>	<b>\$2.45</b>
<b>Annual dividend per share</b>	<b>\$1.22</b>	<b>\$1.26</b>	<b>\$1.34</b>	<b>\$1.42</b>	<b>\$1.50</b>
<b>Dividend payout % of diluted EPS from continuing operations</b>	<b>79%</b>	<b>56%</b>	<b>51%</b>	<b>66%</b>	<b>61%</b>
<b>Dividend payout % of adjusted EPS</b>	<b>69%</b>	<b>53%</b>	<b>54%</b>	<b>58%</b>	<b>61%</b>

<sup>1</sup> See slide 60 for adjustment details.

<sup>2</sup> 2018 estimates are based on mid-point of guidance.

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## Calculation of Debt to Adjusted EBITDA

(\$ millions)	2014	2015	2016	2017	2018e <sup>3</sup>
EBIT (cont. operations)	\$332	\$487	\$522	\$468	\$470
Non-GAAP adjustments, pre-tax <sup>1</sup>	54	23	(30)	-	-
<b>Adjusted EBIT (cont. operations)</b>	<b>386</b>	<b>510</b>	<b>492</b>	<b>468</b>	<b>470</b>
Depreciation and amortization <sup>2</sup>	118	113	115	126	135
<b>Adjusted EBITDA</b>	<b>\$504</b>	<b>\$623</b>	<b>\$607</b>	<b>\$594</b>	<b>\$605</b>
<b>Total Debt (long-term + current)</b>	<b>\$964</b>	<b>\$945</b>	<b>\$960</b>	<b>\$1,252</b>	<b>\$1,250</b>
<b>Debt to Adjusted EBITDA</b>	<b>1.9</b>	<b>1.5</b>	<b>1.6</b>	<b>2.1</b>	<b>2.1</b>

<sup>1</sup> See slide 60 for adjustment details.

<sup>2</sup> D&A is from continuing operations.

<sup>3</sup> 2018 estimates are based on mid-point of guidance.

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# Calculation of Net Debt to Net Capital

Net Debt (\$ millions)	2014	2015	2016	2017	2018e
Current Maturities of Long-Term Debt	\$202	\$3	\$4	\$154	-
Long-Term Debt	762	942	956	1,098	1,250
<b>Total Debt</b>	<b>964</b>	<b>945</b>	<b>960</b>	<b>1,252</b>	<b>1,250</b>
<u>Less:</u>					
Cash and Cash Equivalents	(333)	(253)	(282)	(526)	(350)
<b>Net Debt</b>	<b>\$631</b>	<b>\$692</b>	<b>\$678</b>	<b>\$726</b>	<b>\$900</b>

Net Capital (\$ millions)	2014	2015	2016	2017	2018e
<b>Long-Term Debt</b>	\$762	\$942	\$956	\$1,098	\$1,250
<u>Plus:</u>					
Deferred Income Taxes	42	38	54	83	85
Other Long-Term Liabilities	185	185	173	203	200
Total Equity	1,155	1,098	1,094	1,191	1,230
<b>Total Capital</b>	<b>2,144</b>	<b>2,263</b>	<b>2,277</b>	<b>2,575</b>	<b>2,765</b>
<u>Add:</u>					
Current Maturities of Long-Term Debt	202	3	4	154	-
<u>Less:</u>					
Cash and Cash Equivalents	(333)	(253)	(282)	(526)	(350)
<b>Net Capital</b>	<b>\$2,013</b>	<b>\$2,013</b>	<b>\$1,999</b>	<b>\$2,203</b>	<b>\$2,415</b>
<b>Long-term Debt to Total Capital</b>	<b>36%</b>	<b>42%</b>	<b>42%</b>	<b>43%</b>	<b>45%</b>
<b>Net Debt to Net Capital</b>	<b>31%</b>	<b>34%</b>	<b>34%</b>	<b>33%</b>	<b>37%</b>

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## Non-GAAP Financial Measures

While we report financial results in accordance with accounting principles generally accepted in the U.S. ("GAAP"), this presentation includes non-GAAP measures. These include **adjusted EBIT**, **adjusted EBIT margin**, **adjusted earnings**, and **adjusted EPS**. We believe these non-GAAP measures are useful to investors in that they assist investors' understanding of underlying operational profitability. Management uses these non-GAAP measures as supplemental information to assess the company's operational performance.

Other non-GAAP measures included in this presentation are **net debt**, **net capital**, and **adjusted EBITDA**. We believe the presentation of net debt to net capital provides investors a useful way to evaluate the company's debt leverage if we were to use cash to pay down debt. Our cash has fluctuated, sometimes significantly, from period to period. We use this ratio as supplemental information to track leverage trends across time periods with variable levels of cash. Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, the net debt to net capital ratio may have material limitations.

We also believe the presentation of debt to adjusted EBITDA provides investors a useful way to assess the time it would take the Company to pay off all of its debt, ignoring various factors including interest and taxes. Management uses this ratio as supplemental information to assess its ability to pay off its incurred debt.

The above non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered a substitute for, or more meaningful than, their GAAP counterparts.

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# Leggett & Platt to Acquire Elite Comfort Solutions

## Creating a Leading Provider of Differentiated Products for the Bedding Industry

*Leggett & Platt*

### Forward-Looking Statements

This presentation contains “forward-looking statements,” including the timing and financing of the transaction, the financial results of ECS and the combined pro forma results of the company and ECS. These statements are identified either by their context or by use of words such as “anticipate,” “believe,” “estimate,” “expect,” “forecasted,” “intend,” “may,” “plan,” “should” or the like. All such forward-looking statements are expressly qualified by the cautionary statements described in this provision. We do not have, and do not undertake, any duty to update any forward-looking statement. Forward-looking statements should not be relied upon as a prediction of actual future events or results. Any forward-looking statement reflects only the beliefs of Leggett at the time the statement is made. All forward-looking statements are subject to risks and uncertainties which might cause actual events or results to differ materially from the forward-looking statements. Some of these risks and uncertainties include: the occurrence of any circumstance that could give rise to the termination of the definitive agreement with ECS; that closing conditions to the transaction with ECS, including certain regulatory approvals, may not be satisfied or waived, on a timely basis; the transaction with ECS may not be completed in the expected time frame, or at all; unexpected costs resulting from the transaction with ECS; uncertainty of the financial performance of ECS; failure to realize anticipated benefits of the transaction, including as a result of delay in integrating the businesses of ECS; delays in achieving revenue and cost synergies of ECS; inability to retain key personnel and maintain customer and supplier relationships of ECS; factors that reduce the company’s ability to obtain bank or debt financing in the expected timeframe; inability to deleverage in the expected timeframe; the company’s and ECS’s ability to achieve their respective operating targets, the impact of the Tax Cuts and Jobs Act, price and product competition, the amount of share repurchases, demand for the company’s and ECS’s products, cost and availability of raw materials and labor, fuel and energy costs, growth of acquired companies, general economic conditions, possible goodwill or asset impairment, foreign currency fluctuation, litigation risks and other risk factors in Leggett’s Form 10-K, Form 10-Q and Form 8-Ks.

# ECS Transaction Overview

## CONSIDERATION

- LEG to acquire ECS for \$1.25 billion in cash

## FINANCING

- Planned expansion of commercial paper program and related revolving credit agreement; issuance of \$500 million 5-year term loan
- Commitment to rapidly deleveraging and maintaining a strong, investment grade credit rating
- Post closing, LEG may refinance a portion of outstanding commercial paper through issuance of notes in the debt capital markets

## FINANCIAL PROFILE

- FY 9/30/18 sales of \$611 million
- Expected to generate double-digit sales growth and strong EBITDA margins that are accretive to company average margins
- Expected to have a slightly negative effect on EBIT margins due to purchase accounting
- In 2019, expect net interest expense of ~\$90 million, diluted shares of ~136 million, ~23% tax rate
- Expected to be neutral to EPS in 2019; accretive to EPS beginning in 2020
- Maintaining commitment to long-term dividend growth; expect to extend 47-year dividend growth track record

## CLOSING & CONDITIONS

- Expected to close in January 2019

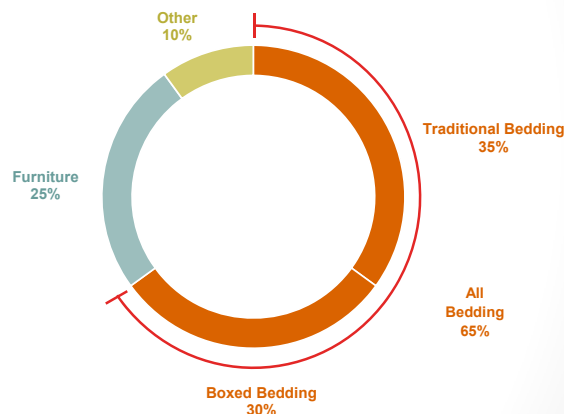
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# ECS: Leading Provider of Proprietary Foam Technology for Bedding and Furniture Markets

- Headquarters:** Newnan, GA
- Markets Served:** Primarily Bedding and Furniture
- Customers:** Serves leading traditional bedding and boxed bed brands
- Key Raw Materials:** Polyol, TDI, MDI
- Operational Footprint:** National manufacturing footprint, with 16 U.S. facilities covering all major U.S. regions
  - 2 facilities engaged in development and manufacturing of chemicals and additives used in foam production
  - Provides market diversity and production capacity to support growth
  - Large-scale specialty foam producer with a strong West Coast manufacturing presence (4 facilities)



ECS Sales by End Market



*ECS will be a separate business unit within the Residential Products segment; ECS management team to continue leading the business; expect to maintain all 16 facilities*

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# Market Trends Favorable for ECS

- ❑ Online mattress sales expected to more than double over next 4-5 years
  
- ❑ Boxed bed market segment represents a growing percentage of online sales
  - Box bed brands are growing, are primarily foam, and are increasingly seeking to differentiate through specialty foams and hybrid products, especially in mid-to-premium price points
  - Traditional OEMs and retailers are adding boxed bed offerings
  
- ❑ Compressed mattresses are growing through both online and traditional channels; trend supports premium foam demand
  - Expected to be half of the market by 2026
  
- ❑ Premium foam and hybrid mattresses are expected to gain share

# Acquisition Creates the Leading Provider of Differentiated Products for the Bedding Industry



**Establishes a Global Leader in Bedding Technology and Manufacturing**



**Adds Critical Capabilities in Proprietary Foam Technologies and Scale in Production of Private-Label Finished Mattresses**



**Augments Growth Opportunities**

## Establishes Global Leader in Bedding Technology and Manufacturing

- ❑ ECS is a leading provider of proprietary foam technology for the bedding and furniture industries; recognized leader in innovative, high-quality specialty foam
- ❑ ECS has a diversified customer mix and strong position in the high-growth boxed bed market segment
- ❑ ECS adds critical capabilities in foam technology and scale in production of private-label finished mattresses, toppers, and pillows
- ❑ Combined, we are positioned to capitalize on market trends including growth in foam and hybrid mattresses for online mattress channel and boxed bed brands

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## Adds R&D Capabilities and Proprietary Foam Technologies

- ❑ ECS's substantial proprietary and patented technology allows the company to develop unique specialty foam products for individual customers
- ❑ ECS's numerous branded, specialty additives enhance foam performance by reducing heat retention and improving durability and air flow
- ❑ Combined company's best-in-class specialty foam innovation and spring technology allows development of new hybrid products

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## Positions the Company to Grow

- ❑ Opportunity to leverage ECS's core competency in boxed bed innovation and capitalize on this new and growing sales channel
- ❑ Opportunity to create new hybrid products utilizing the capabilities of LEG in Comfort Core® innersprings and ECS in premium specialty foam represents strong synergies to the combined company
- ❑ Opportunity to capture greater share of global specialty foam for bedding
- ❑ Supports LEG's long-term 6-9% revenue growth target by gaining scale in faster-growing online and boxed bed channels
- ❑ ECS expected to grow well above LEG's average for next several years

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## Commitment to Deleveraging

### Operating Cash Flow

- Expect 2019 pro-forma operating cash flow of ~\$550 million
- Intend to quickly delever through cash flow to ~2.5x EBITDA in 2020

### Maintain Investment Grade Rating

- Committed to maintaining strong, investment grade ratings
- LEG to retain a robust liquidity profile, with access to the investment grade bond market, bank market and commercial paper market
- LEG to modestly change dividend payout target to ~50% of earnings

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# Key Take-Aways

- ✓ Creates a Leading Provider of Differentiated Products for the Bedding Industry
- ✓ Adds R&D Capabilities and Proprietary Foam Technologies
- ✓ Well-Positioned to Capitalize on Current and Future Trends
- ✓ Supports Revenue Growth Domestically and Internationally
- ✓ Strong Cash Flow to Support Dividend and Rapid Debt Reduction