

Strategy

Leggett & Platt – Strategic Priorities

August 2023

Creating Shareholder Value

Our long-term focus is to grow earnings and allocate capital well. We screen investments (both organic and acquisition) with a profitable growth lens as well as a view on strategic and cultural fit. Our culture of innovation and continuous improvement enables us to deliver superior products and service to our customers. We routinely evaluate our portfolio and take action to improve or exit businesses that fail to generate acceptable returns and margins. If we do not find investments that create economic value (returns above WACC) then we return excess cash to shareholders through share repurchases. We have a long-standing commitment to dividend growth and investment grade debt ratings that we are not willing to compromise. Our strong balance sheet and cash flow allows us to support these commitments and take advantage of attractive investment opportunities.

Total Shareholder Return is the primary financial measure that we use to assess long-term performance. We target average annual TSR of 11–14% through an approach that employs four TSR sources: revenue growth, margin expansion, dividends, and share repurchases.

Disciplined Growth

Our TSR framework targets long-term revenue growth of 6–9%. We expect to achieve the growth target through a combination of sources, including:

- 1) **Increasing content and new programs**, particularly in our Bedding and Specialized Products segments,
- 2) **Expanding our addressable markets**, as we've done with the acquisitions of ECS and Kayfoam and in our Automotive and Textiles businesses, and
- 3) **Identifying strategic acquisitions** that complement our current products or capabilities.

We seek opportunities that have a strong strategic fit and sustainable competitive advantage with profitable growth in faster growing, higher margin markets. Acquisitions are often “bolt on” to existing businesses but could also include opportunities in new markets that leverage our capabilities.

Returning Cash to Shareholders

Leggett & Platt has consistently been a strong cash generator. During the past three years (2020–2022), we produced \$1.32 billion of operating cash, and we returned \$740 million of this cash to shareholders in the form of dividends (\$659 million) and share repurchases (\$81 million).

Our priorities for use of cash are: 1) fund organic growth, 2) pay dividends, 3) fund strategic acquisitions, and 4) repurchase stock with available cash. We have a standing authorization from the Board to buy up to 10 million shares each year; however, no specific repurchase commitment or timetable has been established.

Management Compensation

Our incentive programs reward strong performance. Senior executives participate in an incentive program with a three-year performance period equally weighted on (1) return on invested capital and (2) cumulative EBITDA with the combined results subject to a payout multiplier based upon our TSR performance compared to a peer group of ~300 companies. Annual bonuses emphasize the achievement of EBITDA and free cash flow generation.

OUR STRATEGY



Portfolio
Management



Disciplined
Growth



Returning
Cash to
Shareholders

PROFITABLE GROWTH

Portfolio
Management

Large
Addressable
Markets

Strategic
Acquisitions

Innovative
Products

Compelling
Market
Advantages

Continuous
Improvement

Total Shareholder Return

$(\Delta \text{ stock price} + \text{dividends}) / \text{initial stock price}$

Revenue Growth

Target: 6–9% annually

- Increasing content and new programs
- Expanding addressable markets
- Identifying strategic acquisitions

Margin Improvement

Target: 11.5–12.5%

Dividend Yield

Payout Target: ~50% of earnings

Stock Buybacks with available cash

LARGE ADDRESSABLE MARKETS

U.S. BEDDING

Finished Mattresses &
Foundations at Wholesale
Addressable Market



GLOBAL AUTOMOTIVE

Cabin Comfort & Convenience
Addressable Market



ACQUISITION STRATEGY

Strong Strategic Fit

- Growth in attractive markets
- Sustainable competitive advantage
- Enhance current capabilities or product offerings
- Meaningful synergies
- Low risk of disruption

Disciplined Financial Screen

- Solid, above-market growth opportunities
- Accretive to GAAP EPS and cash flow within one year of acquisition
- Returns well above WACC

Cultural Alignment

- Ethics and integrity
- Safety prioritization
- Strong, committed leadership team
- Customer focus
- Continuous improvement

Acquisitions are most often bolt-on to existing businesses but could also include opportunities in new markets that leverage our key competencies.

SOURCES OF MARGIN IMPROVEMENT

Near-Term Opportunities

- **Increasing volume** as supply chain constraints improve in Automotive, Aerospace, and Hydraulic Cylinders businesses
- **Improving operational efficiency** with an emphasis on Specialty Foam
- **Demand improvement** in residential end markets
- **Adjusting variable costs** to align with demand
- **Maintaining pricing discipline**

Ongoing Opportunities

- **Product Innovation**
- **Portfolio Management**
- **Growth in Attractive Markets**
- **Continuous Improvement**

DISCIPLINED USE OF CASH

Fund organic growth

Pay dividends

Fund strategic acquisitions

Repurchase shares with
available cash

TSR PERFORMANCE

3-Year CAGRs

	3-Year CAGRs														Prior Targets	Current Targets
	07-10	08-11	09-12	10-13	11-14	12-15	13-16	14-17	15-18	16-19	17-20	18-21	19-22			
Revenue Change <i>ex divest/deflat./currency</i>	(7)	(4)	7	4	5	5	3	2	3	8	3	6	3		4-5	6-9
Margin Change	(1)	4	4	3	6	11	12	6	(5)	(6)	(5)	(2)	(4)		2-3	1
Change in Interest & Taxes ¹						2	2	2	2	(2)	(2)	(2)	(1)		—	—
Change in Multiple ¹	12	11	(4)	2	12	(4)	(2)	(7)	(7)	—	2	3	(12)		—	—
Dividend Yield	6	5	5	5	4	4	3	3	3	4	4	4	4		3-4	3
Stock Buyback	6	4	2	2	1	2	2	1	2	1	—	—	—		2-4	1
Annual TSR	16	20	14	16	28	20	20	7	(2)	5	1	9	(10)		12-15	11-14

Data is as historically reported and has not been restated for the discontinuance of LIFO.

¹ Change in Multiple has historically included changes in interest and taxes; however, due to increased interest expense related to the ECS acquisition, changes in interest and taxes are presented on a separate line titled "Change in Interest & Taxes".