

Leggett & Platt, Incorporated NYSE:LEG

FQ3 2025 Earnings Call Transcripts

Tuesday, October 28, 2025 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.29	0.29	●0.00	0.23	1.04	NA
Revenue (mm)	1025.33	1036.40	▲1.08	985.77	4091.22	NA

Currency: USD

Consensus as of Oct-13-2025 8:48 AM GMT

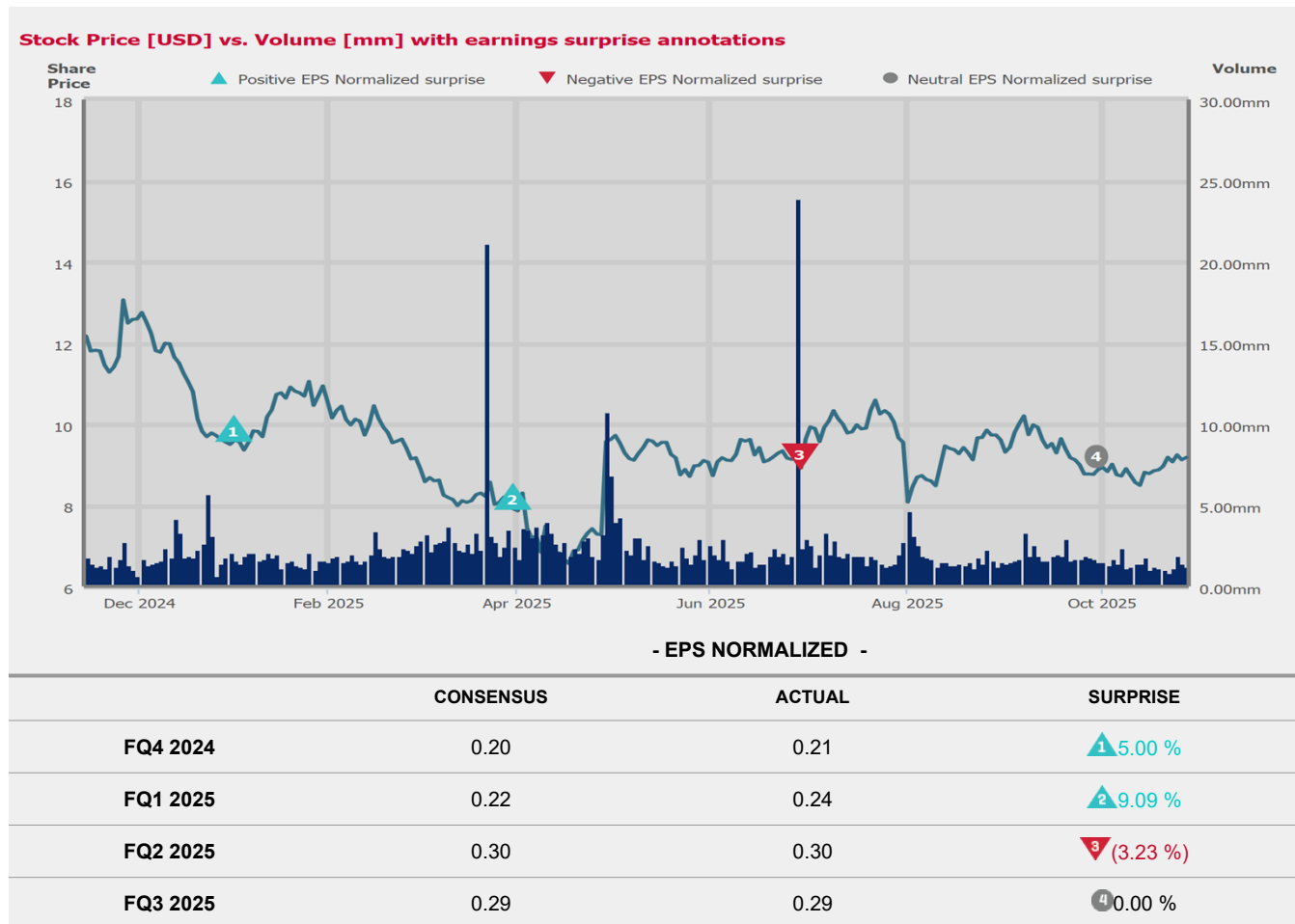


Table of Contents

Call Participants	3
Presentation	4
Question and Answer	7

Call Participants

EXECUTIVES

Benjamin M. Burns
Executive VP & CFO

J. Tyson Hagale
*Executive VP & President of Bedding
Products*

Karl G. Glassman
President, CEO & Chairman

Robert Samuel Smith
*EVP, President of the Furniture,
Flooring & Textile Products and
President of Specialized Prod*

Steve West
Vice President of Investor Relations

Alexia Morgan
Piper Sandler & Co., Research Division

Keith Brian Hughes
*Truist Securities, Inc., Research
Division*

Robert Kenneth Griffin
*Raymond James & Associates, Inc.,
Research Division*

Susan Marie Maklari
*Goldman Sachs Group, Inc., Research
Division*

Presentation

Operator

Greetings, and welcome to the Leggett & Platt Third Quarter 2025 Webcast and Earnings Conference Call. {Operator Instructions} As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Steve West, Vice President of Investor Relations. Thank you. You may begin.

Steve West

Vice President of Investor Relations

Good morning, everyone, and welcome to Leggett & Platt's Third Quarter 2025 Earnings Call. With me today are Karl Glassman, CEO; Ben Burns, CFO; Tyson Hagale, President of Bedding Products; and Sam Smith, President of Specialized Products and Furniture, Flooring and Textile Products. This call is being recorded, and a replay will be available on the Investor Relations section of our website.

Yesterday, we issued our press release and a set of slides containing third quarter financial results. Those documents supplement the information we will discuss this morning, including non-GAAP financial reconciliations. Remarks today concerning future expectations, events, objectives, strategies, trends or results constitute forward-looking statements. Actual results may differ materially due to risks and uncertainties, and the company undertakes no obligation to update or revise these statements. For a summary of these risk factors and additional information, please refer to sections in yesterday's press release and our most recent 10-K and 10-Q filings entitled Risk Factors and Forward-Looking Statements. And with that, I will turn the call over to Karl.

Karl G. Glassman

President, CEO & Chairman

Thank you, Steve, and good morning, everyone. I'm pleased with another quarter of solid results, reflecting nearly 2 years of disciplined cost structure improvements despite an ongoing soft demand in residential end markets. Importantly, we are reaffirming the midpoint of our full year sales and adjusted EPS guidance, which Ben will discuss in more detail later.

Our third quarter was also marked by significant progress on our key strategic initiatives. Our team has done a terrific job driving results through the execution of our restructuring plan, disciplined cost management and improving operational execution. These efforts have culminated in improved cash flow, which allowed us to significantly strengthen our balance sheet. On August 29, we completed the divestiture of our Aerospace business, aligned with our goal of optimizing our portfolio. We used proceeds from the sale, along with a portion of our operating cash flow to pay down all of our remaining commercial paper and substantially lower our net debt to trailing 12-month adjusted EBITDA ratio.

Our restructuring plan is nearing completion and is meeting or exceeding our initial expectations. We made considerable progress on the second phase of the flooring consolidation during the quarter and expect the consolidation to be completed by the end of the year. In Hydraulic Cylinders, we completed the rightsizing of our U.K. facility.

Beyond our formal restructuring plan, in early September, we announced the consolidation of our Kentucky adjustable bed manufacturing operation, which will be consolidated into our Mexico operation by the end of this year. This decision was driven by lower volume and tariffs on imported components, which resulted in a cost disadvantage for our domestic production in a category that primarily competes with imported products.

Throughout the quarter, we continued to navigate a very dynamic environment. We still believe tariffs will be a net positive for us, but remain concerned that wide-ranging tariffs could drive inflation, hurt consumer confidence and pressure consumer demand. We are actively mitigating some of the negative impacts experienced in a few of our businesses, such as supply chain disruptions that can have an indirect impact on us and our customer demand disruptions. Our teams are actively engaged with customers and suppliers across our global footprint to reduce tariff exposure and minimize impacts.

In general, import issues are an ongoing risk, especially for our Bedding Products segment, but we are encouraged that some recent enforcement actions support fair competition for domestic manufacturers and importers alike. U.S. Customs and Border Patrol recently dismantled a Chinese mattress transshipment scheme estimated to have evaded more than \$400 million in duties. The Consumer Product Safety Commission has also recently issued recalls and product safety warnings for certain imported mattresses that fail mandated U.S. flammability standards.

Now more than ever, misclassification of shipments and understated product values are additional problems that domestic manufacturers face when competing against imports. While we continue to believe that imports have a role in the U.S. bedding market, the domestic industry must be able to compete on a level playing field. Amid these initiatives and macroeconomic challenges, our teams remain focused on providing high-quality innovative products to our customers, keeping our employees safe and continuously improving at everything we do. I'll now turn the call over to Ben.

Benjamin M. Burns
Executive VP & CFO

Thank you, Karl, and good morning, everyone. Third quarter sales were just over \$1 billion, down 6% year-over-year due primarily to continued soft demand in residential end markets as well as sales attrition from both the divestiture of our aerospace business and our restructuring efforts.

Looking at sales by segment, Bedding product sales decreased 10% year-over-year but improved 3% sequentially versus the second quarter and sales accelerated through the quarter. Specialized product sales declined 7%, while Furniture, Flooring and Textile product sales were flat year-over-year. In Bedding Products, as anticipated, sales weakness at a certain customer and retailer merchandising changes drove volume declines in adjustable bed and specialty foam. U.S. spring unit volume was in line with both mattress consumption and domestic mattress production volumes, both of which we estimate declined low single digits.

U.S. mattress industry production improved sequentially versus the second quarter, marking the second consecutive quarter of improved domestic production volume. While we are encouraged to see sequential improvement, third quarter domestic volume remained negative year-over-year. It is worth noting that the improvements we have seen are not consistent across the industry. Certain channels and market participants are performing better than others. We have also started to see stabilization in demand patterns between holiday promotional periods.

In the fourth quarter, we expect U.S. domestic mattress production to slow sequentially due to normal seasonality and to remain negative on a year-over-year basis. Total market consumption for the full year is now expected to decline low single digits with domestic production down mid- to high single digits. Within our Specialized Products segment, we experienced modest sales declines in automotive and hydraulic cylinders with the divestiture of Aerospace making up the largest sales drag during the quarter. Looking ahead, multiple global automotive supply chain risks such as availability of aluminium, certain semiconductors and access to rare earth minerals have materialized as we moved into the fourth quarter and has begun impacting both the industry and our business. However, we have experienced no material impact to date.

Finally, within Furniture, Flooring and Textiles, continued sales growth in textiles and Work Furniture was offset by declines in home furniture and flooring. We anticipate continued year-over-year strength in the geo-component side of our textiles business, while current trends and seasonality will likely continue in the other businesses within the segment through the remainder of the year.

As mentioned last quarter, aggressive competitive discounting, particularly in Flooring and Textiles has led to pricing adjustments that will negatively impact us in the fourth quarter. Third quarter EBIT was \$171 million and adjusted EBIT was \$73 million, a \$3 million decrease year-over-year, primarily from lower volume, partially offset by metal margin expansion and restructuring benefit. Third quarter earnings per share were \$0.91. On an adjusted basis, third quarter EPS was \$0.29, a \$0.03 decrease year-over-year. Third quarter operating cash flow was \$126 million, an increase of \$30 million versus the third quarter of 2024. This increase was primarily driven by working capital benefits.

Moving to the balance sheet. We reduced debt by \$296 million in the third quarter to \$1.5 billion, bringing our total debt reduction for the year-to-date to \$367 million. As Karl noted, we reduced our commercial paper balance to 0, significantly strengthening our balance sheet and lowering our net debt to trailing 12-month adjusted EBITDA ratio to 2.6x. Excluding Aerospace on a pro forma basis, the ratio is about 0.3x higher. At September 30, total liquidity was \$974 million, comprised of \$461 million of cash on hand and \$513 million in capacity remaining under our revolving credit facility. We ended the quarter with adjusted working capital as a percentage of annualized sales down over 200 basis points year-over-year.

Moving to our restructuring update. We have nearly completed the execution of the plan, which has delivered significantly better EBIT contribution with lower associated costs than originally announced. We remain on track to realize EBIT benefit of \$60 million to \$70 million on an annualized basis. This positive EBIT contribution is despite approximately \$60 million in sales attrition. And we remain on track to generate real estate proceeds of \$70 million to \$80 million. Since plan inception, we have realized \$43 million of proceeds and now expect up to an additional \$17 million in the fourth quarter of 2025 with the balance in 2026.

Despite the current dynamic operating environment, I'm pleased to say we are reaffirming the midpoint of our sales and adjusted EPS guidance while narrowing the previous guidance range. Sales are now expected to be \$4.0 billion to \$4.1 billion or down 6% to 9%

versus 2024. Earnings per share of \$1.52 to \$1.72 and adjusted earnings per share of \$1 to \$1.10. Adjusted EBIT margin is expected to be between 6.4% and 6.6% and cash from operations is expected to be approximately \$300 million. Our CapEx will be lower than usual this year at \$60 million to \$70 million, which is primarily due to customer-driven delays of some growth initiatives and due to our focus on executing and wrapping up our restructuring plan. Annual CapEx should return to more normalized levels going forward.

In the near term, we plan to continue to use most of our excess cash flow to reduce net debt while also considering other uses such as small strategic acquisitions and share repurchases. Longer term, our priorities for use of cash remain consistent, investing in organic growth, funding strategic acquisitions and returning cash to shareholders through dividends and share repurchases. With that, I'll turn the call over to Karl for his closing remarks.

Karl G. Glassman
President, CEO & Chairman

Thank you, Ben. In a relatively short time, we have made significant progress on our strategic priorities. We have strengthened our balance sheet by adjusting our capital allocation to prioritize debt reduction. Through our restructuring plan, we have created a leaner manufacturing footprint that can meet customer demand when it rebounds and support strong incremental contribution margins. We have simplified our portfolio through recent divestitures to improve focus on core operations. All of this has been accomplished with a consumer who has seemingly been in a recession for more than 3 years, compounded by the complexities of a dynamic tariff landscape.

Leggett & Platt has been at the forefront of innovation for a very long time. Today, we have a robust innovation pipeline and relatively new products that are just gaining traction. We have also closely partnered with many of our customers to develop innovative products designed to meet their specific needs. These efforts, combined with meaningful cost reductions and operational improvements position us well to aggressively pursue longer-term profitable growth opportunities that will create value for our shareholders. With that, I would like to thank all of our employees for their continued hard work and dedication to position Leggett & Platt for a very bright future. Operator, you may now open the line for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first questions come from the line of Susan Maklari with Goldman Sachs.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

My first question is, I want to talk a bit more about the benefit that you're seeing from the cost actions and the restructuring that you've undertaken in the last 2 years or so. It seems like you're really getting a nice lift from that in the margins despite the volume and the demand environment that we're in. Can you just help us kind of parse out how those are coming through, what the upside is as we think about the forward quarters? And anything else that's notable as it relates to that?

Benjamin M. Burns

Executive VP & CFO

Yes, Susan, this is Ben. Thanks for the question. As we said in the prepared remarks, our teams have done a great job executing the restructuring plan, and we're really nearly complete at this point. And as we look at the metrics that we laid out at the beginning in our original expectations, -- we're meeting or exceeding them in really all categories, including EBIT benefits, costs, sales attrition and real estate sales. So really good execution. With all of that, we've had no customer disruptions. And it's important to remember, this touches not only our Bedding segment, but also we've had significant actions in home furniture and flooring, hydraulic cylinders and also an initiative to reduce our corporate G&A expenses.

So as we look forward, we're very confident in our \$60 million to \$70 million of annualized EBIT benefit. I think in 2025, we'll end up around \$60 million of that benefit already realized with another up to \$10 million coming next year. The sales attrition that we laid out at the beginning, we thought was about \$100 million. Now we've got that down to \$60 million. So that's good news. And then from a real estate perspective, we still expect \$70 million to \$80 million of cash proceeds. We've had \$43 million to date, and we expect up to \$17 million possibly later this year with the remainder coming in 2026.

So really good execution. And then the other thing I would say is these are all cost outs. As we think about going forward and volume recovery, contribution margins should be strong for us. We think 25% to 35% as we go forward with that incremental volume. So we can't say enough about how appreciative we are of all of our employees' efforts in this area.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

Yes. Okay. That's great color, Ben. And then I want to turn to Bedding. Can you talk about the demand environment and how that came through during the quarter? I think you said that you did see things improve each month in the third quarter. But it seems like that's coming despite the headwinds that we are seeing in the housing market and the volatility in consumer confidence. How do you sort of weigh those different factors out there? And can you just talk a bit about what you think is actually going on out on the ground?

Karl G. Glassman

President, CEO & Chairman

Susan, thanks for the question. Before we go down that path, though, I'm going to turn it over to Tyson, but I want to stop for just a second and congratulate Tyson and his team for the tremendous job that they've done in the Bedding segment. The restructuring has been a challenge, the demand headwinds. The team has come together. We have an innovation pipeline that is more robust than it's ever been in our history. And when you think of -- they still have issues, Tyson will be very candid on these issues regarding specialty foam and adjustable bed. But when you look at the financials, you can see to your earlier question, the restructuring benefits, you can see cost management, operational efficiency improvements, metal margin expansion through the trade sale of trade rods. And like I said, the early in the year, we talked about the benefit of customer product launches. We're seeing that. It's ramping up. But most notable is what the teams have coming into the near future. 2026 is going to be really robust from innovation, evidence of our team's capabilities. So with all of that, Tyson, why don't you go ahead?

J. Tyson Hagale

Executive VP & President of Bedding Products

Sure. And thanks, Karl. Susan, I'll start just with some comments about the market. And I think we would characterize things right now as more stable than seeing a lot of recovery, although in both the second and third quarter, Ben mentioned this, but we saw sequential improvement in both quarters, which was coming off a pretty tough first quarter, but still that's a trend we haven't seen in quite some time. But really, it's getting us back to more of a stable place, but still in the third quarter, especially looking at the domestic market, down low single digits when we talk about units.

A few things, though, that I think are worth mentioning. Kind of within that stability, first of all, we've talked about this in some past calls that we see some pretty high peaks when we get to the promotional holidays and then some pretty tough valleys when we come off of those. But we're seeing more stability month-to-month. So we see some improvement around the promotions, but we don't see quite the big drop-offs, which I think is notable and something we'll continue to watch.

The other thing is that although things are reaching more of a stable level, we don't see consistent performance across all retail channels and brands. It is pretty choppy. And from our view, that's coming from a variety of factors with industry consolidation that's been going on, new program launches, advertising changes. All of those things are resulting in a lot of movement, which makes it a little more difficult to track exactly what's going on, but I think that's another thing we'll watch going forward.

But big picture, I think we still have to continue to watch it. You mentioned it, Susan, but the big macro factors that tend to drive bedding and furniture are still a pretty big challenge. Karl talked about this, too, the consumer is dealing with a tariff environment, but still pretty tough housing, wages dealing with inflation and just general consumer confidence. Those are all big picture things that for us to plan for an actual more recovery type environment, we have to see those things start to flip to be more positive.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

Yes. Okay. And then maybe turning to the cash and the balance sheet. It's really nice to see how the leverage has come together. You mentioned, Ben, that the CapEx is going to be lower this year. How do we think about your plans for spend in 2026, some of the growth opportunities that maybe are coming in there and then maybe the potential for some resumption of shareholder returns?

Benjamin M. Burns

Executive VP & CFO

Yes, sure. Thanks, Susan. Yes, our CapEx is a little bit lower based on the factors I mentioned in the prepared remarks. As we go forward, with a smaller, leaner footprint, we do think a more normalized level of CapEx is something like what we started to guide the year on this year, which was about \$100 million. So obviously, there'll be puts and takes in any given year and timing factors in, but that \$100 million is probably a decent way to think about it. And then as we think about growth initiatives going forward, as -- as Karl mentioned in his remarks as well, we do have some opportunities that we're pursuing. And so we'll continue to fund those. We've been funding whatever growth opportunities come along. And we'll provide more specific outlook on 2026 in the next call.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

Yes. Okay. And then, Ben, I'm going to sneak one more in for you. Can you just walk through how you're thinking about the segment margins for this year?

Benjamin M. Burns

Executive VP & CFO

Sure thing. On the bedding side, we now believe segment margins will be up 200 basis points. I think the last call, we were saying 150 basis points. So we're seeing a little bit more improvement there. On the Specialized segment, we are saying margins should be up about 50 basis points year-over-year. And then on the Furniture Flooring and Textile side, we're now predicting margins to be down 150 basis points, which is compared to what we said previously of 100 basis points down.

Operator

Our next questions come from the line of Peter Keith with Piper Sandler.

Alexia Morgan

Piper Sandler & Co., Research Division

This is Alexia Morgan on for Peter. My first question is on the Furniture segment. It looks like there was some sequential improvement within Home Furniture, down -- volumes were down 5% in Q3 versus down 12% in Q2. I was wondering how you interpret that sequential improvement and if you think it indicates any underlying improvement within the broader category.

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Go ahead, Karl.

Karl G. Glassman

President, CEO & Chairman

No, I was going to say go ahead, Sam.

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Okay. This is Sam. So if you remember back to last quarter, we talked about how those April 2 tariffs really upended our home furniture business and caused a pretty significant drop in volume year-over-year. So what we saw this quarter is more of a normalization, a return to kind of business at a more consistent volume level. And I'll just kind of comment a little bit on the volume versus where I think the market is. And I've read some really interesting Q3 retail surveys and some credit card data that I'm going to refer to. One survey suggested that year-over-year retail sales could be up 6% to 7% with the surveyed retailers. And it also showed that tariffs caused those same retailers to raise their prices and that weighted average price increase was up 9% to 10% -- so if you take the 6% to 7% sales increase, compare that back to the 9% to 10% price increase, and I think you could say that unit volume for that survey is down probably around 3%.

And then next to the credit card data that I saw, it showed that retail furnishing sales were up about 2%. Again, I think you got to apply some level of price increase to mitigate those tariffs. And when you apply the price increase to mitigate the tariffs, I think you can also assume unit volumes down low to mid-digits, and that's pretty much in line with our performance year-over-year. And I think from a positive news standpoint, we started up our new factory in Vietnam at the end of Q3, and we started shipping product from it early this month. And as we ramp up that plant, our products are going to be in a favorable tariff position, and that's really good for our customers and it's good for us.

Alexia Morgan

Piper Sandler & Co., Research Division

Okay. And then staying within Furniture, could you elaborate on any shift you've noticed in end customer behavior across different price points? Specifically, are you still observing a divergence in performance between the lower price points versus the middle and the higher price points?

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Yes, we are. We still continue to see the higher price points be more stable on a week-to-week, month-to-month basis. And there continues to be a lot of pressure at those lower price points. It's very consistent with what we were seeing last quarter with the exception that tariff announcement in April seems to have passed us by, and we're past that now.

Alexia Morgan

Piper Sandler & Co., Research Division

Great. And then one more. Moving to the Bedding segment, it looks like steel rod volume dropped off significantly, inflecting negative to down 20% in Q3. Can you talk about the drivers for that inflection?

J. Tyson Hagale

Executive VP & President of Bedding Products

Sure. Happy to. And it's really -- it's pretty simple. Actually, trade rod volumes were pretty stable. The biggest change, and we've talked about this in the past, we also sell some semi-finished products called billets from time to time. And last year, we had a relatively strong amount of billet sales in the third quarter. And this year, because of both internal and external demand, we haven't had to resort to selling billets. So really, the full drop there is just an elimination of the billet sales. And overall, actually, our trade rod

mix was pretty strong and helpful for us because it trended towards high carbon rather than low carbon. So although the headline there looks negative, it actually was a pretty strong result for us with the rod mill.

Karl G. Glassman
President, CEO & Chairman

Which is a contributor to the profitability of the segment because the non-value-added of selling a billet versus the value added of selling a rod. And someone may question, why did you sell billets last year? And the answer was to keep the rod mill going, keep our employees employed. We don't have that problem right now. Volume is pretty darn good.

Operator

Our next questions come from the line of Bobby Griffin with Raymond James.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

This is Alessandra Jimenez on for Bobby. First, I just wanted to touch on kind of the growth opportunity for here -- from here. Now that the majority of restructuring is near complete, where do you see the most opportunities for organic growth, assuming the macro environment is supportive?

Karl G. Glassman
President, CEO & Chairman

Well, longer term, I'm going to surprise you a little bit. I appreciate the question. Longer term, I see our largest growth opportunity probably in finished bedding. It's a long tail to sell that product through, but we're gaining momentum. We're replacing some lost volume. So again, I'm not calling this being a fourth quarter or first half of next year even. But longer term, that private label work that we're doing on finished bedding, I think will reap significant benefit.

J. Tyson Hagale
Executive VP & President of Bedding Products

And this is Tyson. I agree with Karl. The private label finished mattress opportunity, especially with where we've seen the biggest volume declines in our bedding business, but also as we see consumers get more confident in returning to bedding and furniture products, Karl referenced this in his opening comments, but some of the investments that we're seeing in innovation and giving consumers a reason to come back and do some shopping, we feel pretty good about those right now. And this is purely anecdotal. There's not a lot of data to support it, but just seeing the workload that our teams have right now in bedding, they are really busy working with our customers right now. And at least from a feel standpoint or gut, it seems like this is as busy as we've been working on new product development since at least the start of the pandemic. I mean, since then, it's been a lot of VA/VE or just trying to spec products to replace things in the supply chain, but we're seeing more activity around getting new products into the market, which hopefully is a signal of our customers getting ready to put more products on retail floors.

Robert Samuel Smith
EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Alessandra, I'll add on to that from a home furniture perspective. I was at the High Point Furniture market this past weekend. We had a big team there. We got a showroom, and we have a tremendous amount of customers to exhibit there. So as we walk through our customers' showrooms, we -- Home Furniture had more new product in our customer showrooms than we've had in quite a few years. Our teams have been really, really working hard and working closely with our customers in driving product innovation that's going to matter to consumers. And this -- these slow times have been a great time to do it. And I think we're in a great position for profitable growth when our residential markets recover. And from a Work Furniture standpoint, we continue to have a lot of new near-shoring opportunities that our team are working through and winning some programs that I think will feel the impact for in 2026 and as we move into 2027 as well.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay. Awesome. That is very encouraging. And then I wanted to switch to kind of a follow-up on capital allocation. With the rest of the long-term debt termed out pretty well, could you remind us on like the long-term leverage targets? And then any further details on capital allocation priorities? And maybe a follow-up on like what areas do you see an opportunity for potential bolt-on acquisitions?

Benjamin M. Burns
Executive VP & CFO

Sure. This is Ben. I'll be happy to answer that. So yes, our long-term net debt leverage target is 2x. So our capital allocation strategy will continue to be to reduce that net debt as we go forward. But we're also considering other uses of cash, including small strategic acquisitions. So to your question there, I think the most likely area would be in our textiles business. We've been very successful at having fairly modest purchase price acquisitions and bringing those in and driving immediate synergies. And then we'll also be considering share repurchases as we look forward. No specific timetable on that at this point, but that's on the top of our mind as well.

Operator

[Operator Instructions] Our next questions come from the line of Keith Hughes with Truist Securities.

Keith Brian Hughes
Truist Securities, Inc., Research Division

Question on the -- just back to bedding. U.S. Spring was only down a point or 2 in the quarter. That's starting to feel like what you're saying in the industry is, do you think it will start to track more what the industry does over the next near term?

J. Tyson Hagale
Executive VP & President of Bedding Products

Keith, this is Tyson. Yes, that's something we've talked a lot about. It's been tough to track with all the moving parts. But we've talked about, especially some of our higher-value products have tracked really closely with the market. And overall, with more stability in open coil when you kind of get the total mattress cores, it sort of feels like we're trending kind of in the same direction with the domestic mattress market.

And even within kind of the big picture view of our unit volumes, there are some pretty encouraging things that are going on. We've talked about our content gains, which goes back to the long-term decline of open coil, but then the addition of our Comfort Core products and some other things we've been introducing in the market. And starting to see that come through, especially in the third quarter, and that's where you see some of our profit improvement as well. But we're really starting to see some momentum from that. In the third quarter, we saw a significant boost in our Quantum share of Comfort Core, but also our semi-finished business grew more than 20% versus last year. So even when you look at the volume comparisons unit per unit, we think we're tracking pretty well, but also picking up some content.

Karl G. Glassman
President, CEO & Chairman

Keith, if you don't mind, Tyson, while we're on that subject, much has been written about lost market share. Talk about that, if you don't mind.

J. Tyson Hagale
Executive VP & President of Bedding Products

Well, and I think a lot of that comes from the moving pieces with the imported finished mattresses and how much are actually being consumed within the course of the year. It's been a tough thing to track, but we're seeing more stability with the imported finished mattresses, especially after some of those things were loaded up in the first part of the year ahead of tariffs. So it's a little easier to get a view of that now, Karl. But on top of that, we've seen some different moves with some of the brands and industry consolidation, but that's where we feel at least from the U.S. Spring point of view.

Keith Brian Hughes
Truist Securities, Inc., Research Division

And if you look at adjustable and specialty, I know there's a customer issue. When do you lap that, when will that start to look more like a chance to do better than the industry or like the industry?

J. Tyson Hagale
Executive VP & President of Bedding Products

Yes, Keith. So it is a consistent commentary from what we shared last quarter. I'll talk just a little bit more about it. It's largely 2 customers, and they're the same ones for specialty foam and adjustable bed. The first one is Mattress Firm. And once the consolidation has been complete, with specialty foam, there was a private label mattress program that was taken internal. And then second to that,

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

with our adjustable bed business, we still sell some product there, but we've seen a change in the merchandising plan and where some of the sourcing of that product is coming. So those have been both impactful to both specialty foam and adjustable bed. And it will really take fully through next year before we'll fully get through that part of it. The second big challenge again for both businesses is not a market share loss, but it's more just of a headwind of a large customer of ours that impacts both foam and adjustable bed. Now it's hard to say exactly when we anniversary those because it's more of just a specific customer challenge, but not lost market share.

Keith Brian Hughes

Truist Securities, Inc., Research Division

Okay. And I think it was Karl, your commentary on the sector, you were seeing some retail do better than others. Could you talk about that a little bit more of what type of retail is seeing some at least sequential improvement? I was still down year-over-year? And what areas are still struggling?

Karl G. Glassman

President, CEO & Chairman

Yes, that was actually Tyson. Go ahead, Tyson.

J. Tyson Hagale

Executive VP & President of Bedding Products

Sure, Keith. Well, it's probably what you would suspect. On the online channel, see quite a bit of strength in some of the lower-end online e-commerce. There's a lot of volume moving through there. In brick-and-mortar, see quite a bit of activity happening in big box and through Mattress Firm. But it's not as we've kind of talked about here, it doesn't seem to be a rising tide lifting everybody at the same level. It is inconsistent, but see stronger unit volumes at least through those channels.

Keith Brian Hughes

Truist Securities, Inc., Research Division

Okay. And one other question on textiles. It was up in the quarter, up several quarters now. I think you talked about potential price pressure there along with flooring. I think I know what's happened in flooring, but if you could talk about textiles, where you see that going?

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Yes. Sure, Keith. This is Sam. We've got a little bit of bifurcation in our textile business. The traditional side that services furniture, bedding, fabrics, that's where we're seeing a tremendous amount of price pressure, just as you would see in flooring as these markets continue to be down from demand standpoint. So that's kind of where we see that. Where the growth is really coming from is from our GEO side. The U.S. civil construction is up really nicely year-over-year and what we call our engineered materials markets, which are automotive, filtration, some building -- some specific building products outside of geotextiles. Those volumes are looking really good for us and helping drive some of that growth.

Operator

Our next questions come from the line of Susan Maklari with Goldman Sachs.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

I just have a couple of follow-ups. The first is just building on Keith's question on textiles. You have seen a lot of really nice growth in there. And I think, Ben, you mentioned that as a potential for some bolt-on M&A. Can you talk a bit more about how you're thinking about the future trajectory of that business? What kind of deals you could possibly be interested in and how we should think about what that will mean for growth?

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

Sure. And do you want to say? Or do you want me to jump in?

Benjamin M. Burns

Executive VP & CFO

Well, I'll start off, Sam, if you want to pile on, that would be great. But Susan, just to answer your question, I think what we've seen in that business for over 20 years is really our ability to acquire small businesses, bolt them on and really drive immediate synergies through our purchasing, which we do really well with. So I think that is something that has been very successful for us. We look for applications of the raw materials and how we can convert them and really service customers on a just-in-time basis. And a lot of it also can be a geographic strategy to serve areas, new geographies with similar products. But Sam, what would you add on to that?

Robert Samuel Smith

EVP, President of the Furniture, Flooring & Textile Products and President of Specialized Products

I think you covered it perfectly, Ben.

Benjamin M. Burns

Executive VP & CFO

Yes.

Susan Marie Maklari

Goldman Sachs Group, Inc., Research Division

Okay. And then going back to Bedding, you've talked a lot about innovation and the product pipeline that you have, and it sounds like that's gaining some really nice momentum. As we look out, how do we think about the benefit that you can see from a price mix perspective? And what that could mean for the business even if we remain in a tougher macro where we have those continued headwinds on overall broader demand?

J. Tyson Hagale

Executive VP & President of Bedding Products

Yes, Susan, I kind of referenced this a little bit already. But even with the semi-finished and content gains we've seen in U.S. Spring, you're kind of seeing some of it now. I mean versus third quarter last year, roughly half of our EBIT improvement comes from just fixed cost reductions and restructuring. The other half is mostly from margin enhancement. Some of that from trade rod business. But the other part is just from exactly what you said, of already seeing the benefits of improved content through our spring business, and that comes from products we talked about on previous calls. But on top of that, when I talked about working with our customers and our customers starting to lean in more towards differentiating their product line, a lot of that comes through improving the content, the comfort or even just the inclusion of specialty foam along with the innerspring units. So all of those end up being multiples in terms of the selling price for us versus kind of more the historic innerspring business that you think about. And that's where even as we've seen some volumes be even down slightly or where we've been in the last couple of years, that's where we see the opportunity for profit improvement and feel more of that is possible going into the future.

Operator

There are no further questions at this time. I would now like to turn the floor back over to Steve West for closing comments.

Steve West

Vice President of Investor Relations

Thanks, everyone, for joining us this morning, and we look forward to hosting you next quarter as well. And we are scheduled to issue our fourth quarter earnings release on February 11 after the market closes, and our conference call will be on February 12 at 8:30 a.m. Eastern Standard Time. In the meantime, if you have any questions, just reach out to me any time. Thanks.

Operator

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and enjoy the rest of your day.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. **THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION.** In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.