Strategy

Leggett & Platt – Strategic Priorities

March 2021

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, with the majority of these investments occurring in businesses with sustainable competitive advantages. 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.

Primary Financial Metric

Total Shareholder Return is the primary financial measure that we use to assess long-term performance. Our goal is to achieve TSR in the top third of the S&P 500 companies over the long term through an approach that employs four TSR sources: revenue growth, margin expansion, dividends, and share repurchases. We target average annual TSR of 11-14%.

We monitor our TSR performance relative to the S&P 500 on a rolling three-year basis. Our annual TSR was below the 11-14% target in 2018 and 2020, but significantly above the target in 2019. Over those same years, the TSR of the S&P 500 was well above historical averages. As a result, our recent 3-year averages did not meet our top-third goal.

Disciplined Growth

Our TSR framework targets long-term revenue growth of 6-9%. Over the last three years, we have generated combined volume and acquisition growth of 2% per year on average, down from 7% in the prior three-year period due to the economic impact of the COVID-19 pandemic. We benefited slightly from commodity inflation during those three years, resulting in total revenue growth of 3% per year on average.

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 acquisition of ECS and in our Automotive business, 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.

We significantly reduced acquisition activity over the past two years as we prioritized debt reduction from our ECS acquisition. We will continue to reduce debt as we move through 2021 but acquisition activity could begin to increase. These would likely be small bolt-on opportunities rather than large acquisitions.

Returning Cash to Shareholders

Leggett & Platt has consistently been a strong cash generator. During the past three years, we produced $1.71 billion of operating cash, and we returned much of this cash to shareholders in the form of dividends and share repurchases.

Our long-term 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. With the increase in leverage from the ECS acquisition, we will continue to limit share repurchases which will have a slightly negative effect on our TSR.

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) relative TSR compared to the performance of a group of approximately 300 peers; and (2) company or segment EBIT CAGR. Annual bonuses at the business unit level emphasize the achievement of higher return on assets along with free cash flow generation.

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Our Strategy

Portfolio Management → Disciplined Growth → Returning Cash to Shareholders

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TSR in Top Third of S&P 500

SOURCES

Revenue Growth	Margin Improvement	Dividend Yield	Stock Buybacks
Target: 6–9% annually	Target: 11.5–12.5%	Payout target: ~50% of earnings	With available cash

Total Shareholder Return = (Δ Stock Price + Dividends) / Initial Price

Growth Framework

6–9%
Average Annual Revenue Growth

Organic + Acquisition

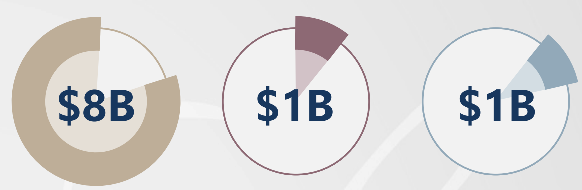
1	2	3
Increasing Content and New Programs	Expanding Addressable Markets	Identifying New Growth Platforms

U.S. Bedding Market Overview

Finished Mattresses & Foundations at Wholesale Addressable Market

APPROXIMATE MARKET SIZE

SEGMENT



MATTRESSES | **ADJUSTABLE FOUNDATIONS** | **STATIC FOUNDATIONS**

COMPETITORS

Innerspring maker-users and foam component suppliers

Importers of innersprings, finished mattresses and adjustable foundations

Private-label mattress manufacturers, primarily all foam

Source: ISPA; Furniture Today; internal analysis

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Global Automotive Market Overview

Cabin Comfort & Convenience Addressable Market

~$20B

APPROXIMATE MARKET SIZE	$1B	$2B	$3B	$4B	$10B
SEGMENT	COMFORT	CABLES	MOTORS	ACTUATORS	ADJACENT ELECTRONICS/ SOFTWARE
COMPETITORS	Few, single-product focus	Many; fragmented	Many; functionality vs. cost	Many; make vs. buy	Many; make vs. buy
CAGR	5%	2%	5%	5%	9%

~6% CAGR
outpacing vehicle production

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New Growth Platforms Support Long-Term TSR

- **Styles of Competition** framework to assess fit based on fundamentals of where and how we most effectively compete
- L&P's predominant style is **Critical Components**
- Identify opportunities across **more diverse, faster-growing and higher margin markets**

L&P's Style of Competition: Critical Components

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

Acquisition Criteria

- Strategy: clear strategic rationale; sustainable competitive advantage; strong **"fit"** with L&P
- **New Platforms**: revenue > $50 million; strong management; subsequent growth opportunities
  - Growth > GDP
  - Industry EBIT margin approximates Leggett's average
- **Add-on** businesses: revenue > $15 million; significant synergy; strategic fit in an existing BU
- **Accretive** to GAAP EPS within one year of acquisition
- Create value by **enhancing TSR**

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Sources of Margin Improvement

Near-Term Opportunities

- **Maintaining fixed cost reductions** as much as practical from actions taken last year
- **Improving efficiency** in rapidly growing operations

Ongoing Opportunities

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

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Long-Term Disciplined Use of Cash

1 Fund organic growth

2 Pay dividends
- **49-year history** of dividend increases
- S&P 500 *Dividend Aristocrat*
- Payout target is **~50% of earnings**

3 Fund strategic acquisitions

4 Repurchase stock with available cash

Compensation Metrics

- TSR: Total Shareholder Return
  - Total benefit investor realizes from owning our stock
  - (Δ stock price + dividends) / initial stock price
- EBIT CAGR: Compound Annual Growth Rate of EBIT
- ROCE: Return on Capital Employed
  - Drives ~60% of annual bonus at operating level and corporate
  - EBIT / (working capital (ex cash & current debt) + net PP&E)
- FCF: Free Cash Flow
  - Drives ~40% of annual bonus at operating level and corporate
  - EBITDA – capex +/– Δ working capital (ex cash & current debt)

TSR PERFORMANCE

3-Year CAGRs

	Prior Targets	07-10	08-11	09-12	10-13	11-14	12-15	13-16	14-17	15-18	16-19	17-20	Current Targets
Revenue Change	**4-5**	(7)	(4)	7	4	5	5	3	2	3	8	3	**6-9**
ex divest/deflat./currency						***5***	***7***	***7***	***5***	***4***	***7***	***2***	
Margin Change	**2-3**	(1)	4	4	3	6	11	12	6	(5)	(6)	(5)	**1**
Change in Interest & Taxes [1]	—						*2*	*2*	*2*	*2*	*(2)*	*(3)*	—
Change in Multiple[1]	—	12	11	(4)	2	12	(4)	(2)	(7)	(7)	—	2	—
Dividend Yield	**3-4**	6	5	5	5	4	4	3	3	3	4	4	**3**
Stock Buyback	**2-4**	6	4	2	2	1	2	2	1	2	1	—	**1**
Annual TSR	**12-15**	**16**	**20**	**14**	**16**	**28**	**20**	**20**	**7**	**(2)**	**5**	**1**	**11-14**
% Rank in S&P 500[2]		***8%***	***38%***	***36%***	***48%***	***25%***	***31%***	***11%***	***56%***	***76%***	***67%***	***67%***	

[1] Change in Mulitple 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".

[2] 1% is best.