

# ↪ **Introduction** ↩

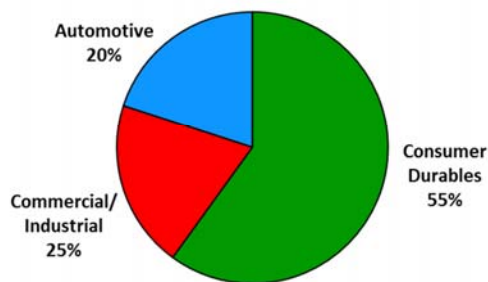
# TSR Focused Mid-Cap Manufacturer

- ❑ Targeting **Total Shareholder Return in top third** of S&P 500
- ❑ **~3.5%** 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

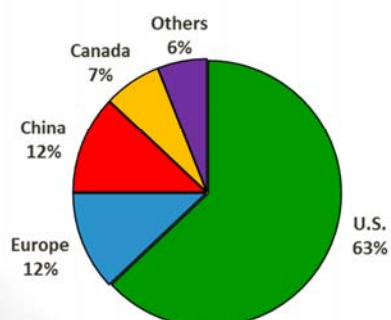
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## Our Markets

Macro Market Exposure

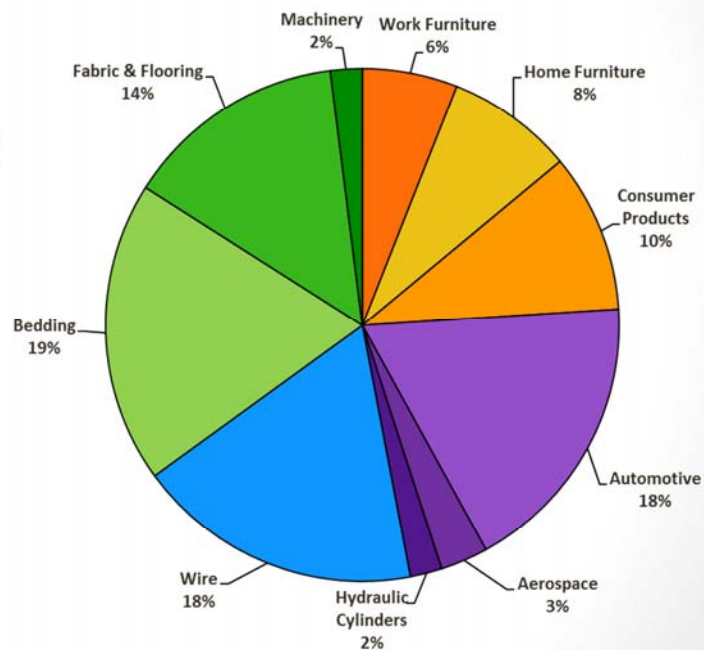


Geographic Split (based on production)



Product Mix

% of 2018 est. total sales

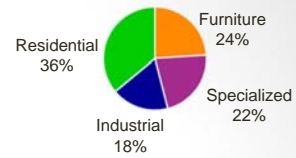


4 segments; 10 groups

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# Segments

% of 2018 est total sales



## Residential Products

### Bedding

- Mattress springs
- Foundations

### Fabric & Flooring Products

- Textile converting
- Flooring underlayment
- Geo components

### Machinery

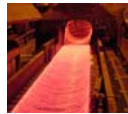
- Quilting and sewing machinery for bedding mfg.
- Mattress packaging and glue-drying equipment



## 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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# Leading U.S. Manufacturer of:

- ❑ Bedding Components
- ❑ Automotive Seat Support and Lumbar Systems
- ❑ Components for Home Furniture and Work Furniture
- ❑ Flooring Underlayment
- ❑ Adjustable Beds
- ❑ High-Carbon Drawn Steel Wire
- ❑ Bedding Industry Machinery

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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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# 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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# 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

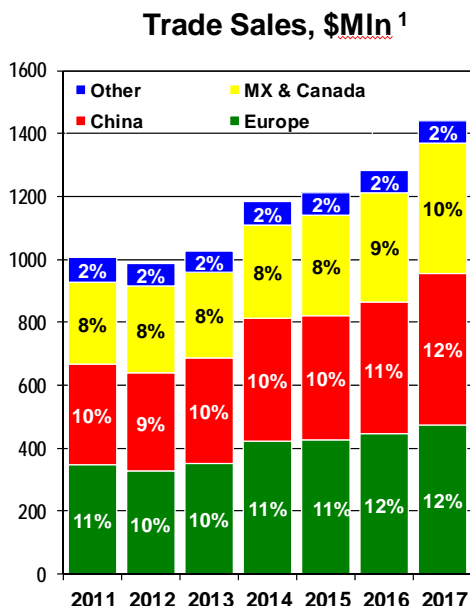
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# Commodity Impact

- ❑ 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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# International Mix



## International Strategy

- Establish Operations Where Demand for Our Products is Growing
- Supply Customers Who Source Finished Products Overseas
- Supply Growing Demand in Developing International Markets

<sup>1</sup> Percentages in the chart are based on location of our production, which may differ from the end markets in which finished products are eventually consumed.

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# Strong Peer Group

## Diversified Manufacturers

w/ Ticker & Fortune 1000 Ranking (May 2017)

Leggett Ranking = 613

<b>CSL</b>	<b>Carlisle</b>	<b>623</b>	<b>ITW</b>	<b>Illinois Tool Works</b>	<b>202</b>
<b>DHR</b>	<b>Danaher</b>	<b>144</b>	<b>IR</b>	<b>Ingersoll Rand</b>	<b>n/a</b>
<b>DOV</b>	<b>Dover</b>	<b>392</b>	<b>MAS</b>	<b>Masco</b>	<b>372</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>139</b>	<b>PPG</b>	<b>PPG Industries</b>	<b>183</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

May 2018

- 7 Non-Management Directors (out of 9 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	✎◆	60	2009	Retired EVP	ITW
Robert Culp	✎★	71	2013	Chairman	Culp, Inc.
R. Ted Enloe †	✎◆★	79	1969	Managing Partner	Balquita Partners
Manuel Fernandez	◆★	72	2014	Managing Director	SI Ventures
Joe McClanathan	✎◆★	65	2005	Retired President & CEO	Energizer Household Products
Judy Odom	✎◆★	65	2002	Retired Chair & CEO	Software Spectrum
Phoebe Wood	✎◆	65	2005	Principal	CompaniesWood

## Management

Karl Glassman		59	2002	President & CEO	Leggett & Platt
Matthew 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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# Our Mission

At Leggett & Platt, we **create** innovative products that enhance people's lives, **generate** exceptional returns for our shareholders, and **provide** sought-after jobs in communities around the world.

***Enhancing people's lives for 135 years.***

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# Our Vision

Leggett & Platt enhances people's lives worldwide by designing and manufacturing innovative, distinctive products and components for use in bedding, furniture, seating, homes, offices, airplanes, and automobiles.

We efficiently turn ordinary materials into extraordinary products. We strive to generate Total Shareholder Return for our stockholders that ranks in the top third of the S&P 500, and we provide sought-after jobs for a large number of men and women in communities around the world.

Over time the company will grow and prosper as we expand or obtain positions in attractive markets, develop inventive proprietary products, and continuously improve production and distribution efficiency.

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# Steel Flow Chart

**Melt Furnace**

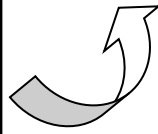
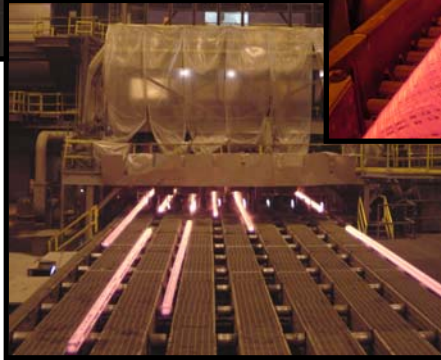


**Steel Rod**



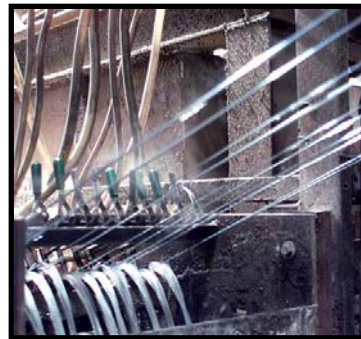
Each year at our Sterling, Illinois Rod Mill, roughly 550,000 tons of steel scrap are melted and formed into billets. The billets are then used to make approximately 500,000 tons of steel rod.

The majority of this rod goes to our three domestic wire mills to be drawn into various gauges of wire.



**Steel Billets**

**Drawing the Wire**

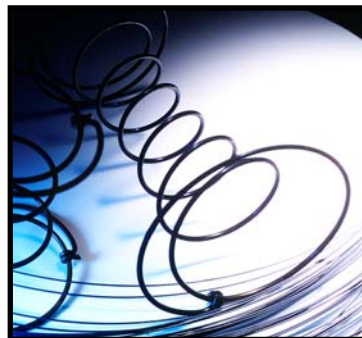


**Wire on Spools**



Leggett also purchases certain types of steel rod on the open market to meet the raw material requirements of our wire mills.

**Spring-Making Plant**



**Wire Innerspring**

Approximately 2/3 of the wire we produce goes to other Leggett operations, including our spring-making operations. The remaining wire is sold externally.

## **Everyday, Everywhere**

When investors first learn about Leggett & Platt, they are sometimes surprised to find an S&P 500 company they haven't discovered before – especially one with our track record and 135 year history.

We are less well known because most of our products are sold to other manufacturers (as vital components found within their finished goods). Though our name may not be familiar to you, we're fairly certain **you use our products all the time.**

Below we highlight **everyday** settings where our components are found. You'll quickly realize that our products are **everywhere**. Whether in the bedroom, living room, work environment, or car, it's virtually certain that Leggett & Platt is there.

**Your bed likely contains Leggett & Platt components** of some sort – springs, fabric, frame, headboard, etc. And if you sleep on an adjustable bed (one that allows the head and foot of the bed to raise into various comfort positions), we may have made it too.

**Many furniture makers use Leggett & Platt mechanisms** in their motion furniture (chairs and sofas that recline). We also provide wire, springs, and other components used to produce upholstered furniture.

You'll find **our products throughout your home**. There's a good chance our carpet pad is under your carpet and your draperies may be lined with our structural fabrics.

**If the chair you use in your work environment swivels, tilts, or adjusts**, it's likely that the mechanism or other components came from Leggett & Platt. We probably also made the pad beneath your office carpeting.

**Our components are found in about 85%** of the cars manufactured in the major markets of North America, Europe, and Asia. From the adjustable lumbar or massage units in your seat back to the wire suspension under your seat cushion, to the motors, actuators, and cables that allow powered features to work, your car almost certainly contains products made by us.

**We're all around you!** You'll find Leggett & Platt components in airport seating, commercial airplanes, hotel rooms, along interstates and highways, and on construction sites. We're in overhead garage doors, large farm machinery and lift trucks. And we could continue on with other examples.

Hopefully this helps you understand why we feel quite comfortable saying you probably encounter our products **everyday, everywhere!**

## HIGHLIGHTS OF PAST 24 MONTHS

May 2018

### **May 9, 2017 – Leggett Announces Dividend Increase and Annual Meeting Results**

- Increased second quarter dividend by \$.02, or 5.6%, to \$.38 per share
- Indicated dividend yield is 3.6%, one of the highest among the S&P 500 Dividend Aristocrats
- Annual Meeting addressed three items of business; voting aligned with Board recommendations

### **April 26, 2018 – Leggett & Platt Reports 7% Sales Growth and \$.57 EPS**

- 1Q sales were \$1,029 million, a 7% increase versus 1Q 2017; same location sales grew 6%
- 1Q EPS was \$.57, a decrease of \$.05 versus 1Q 2017, primarily due to inflation impacts

### **February 5, 2018 – Leggett & Platt Reports 4Q and Full-Year 2017 Results**

- 4Q sales grew 9%, to \$984 million
- 4Q EPS of \$.27, significantly impacted by TCJA; 4Q adjusted EPS of \$.59, up 11% vs 4Q16
- Acquired PHC on Jan. 31; adds 2% to sales; entering new market via Styles of Competition efforts
- 2017 sales increased 5% to \$3.94 billion
- 2017 continuing ops EPS of \$2.14; 2017 continuing ops adjusted EPS of \$2.46, down 1% vs 2016
- 2020 targets issued: sales of \$5 billion, EBIT margin of 13%, EPS of \$3.50

### **October 26, 2017 – Leggett & Platt Reports 3Q EPS of \$.61 (Continuing Ops) and 6% Sales Growth**

- 3Q sales were \$1.01 billion, a 6% increase versus 3Q 2016; unit volume grew 4%
- 3Q EPS from Continuing Operations was \$.61
- 2017 Continuing Ops EPS narrowed to \$2.49 – 2.54; sales guidance narrowed to \$3.95 – 4.0 billion

### **September 6, 2017 – Leggett & Platt Reduces Full-Year EPS Guidance and Reports Divestiture of Remaining CVP Operations**

- Full year 2017 EPS guidance reduced to \$2.44 - 2.54
- Full year 2017 adjusted EPS guidance reduced to \$2.40 - 2.50
- Full year sales guidance is unchanged at \$3.9 - 4.0 billion
- Final remaining CVP operation was divested effective August 4, 2017

### **July 27, 2017 – Leggett & Platt Reports 2Q EPS of \$.64 on 3% Sales Growth**

- 2Q sales were \$989 million, a 3% increase versus 2Q 2016; same location sales grew 4%
- 2Q EPS was \$.64

### **May 9, 2017 – Leggett Announces Dividend Increase and Annual Meeting Results**

- Increased second quarter dividend by \$.02, or 5.9%, to \$.36 per share
- Indicated dividend yield is 2.7%, one of the higher among the S&P 500 Dividend Aristocrats
- Annual Meeting addressed four items of business; voting aligned with Board recommendations

### **April 27, 2017 – Leggett & Platt Reports \$.62 EPS on 2% Sales Growth**

- 1Q sales were \$960 million, a 2% increase versus 1Q 2016; same location sales grew 4%
- 1Q EPS was \$.62, a decrease of \$.01 versus 1Q 2016

### **January 30, 2017 – Leggett & Platt Announces Record Full-Year EPS**

- 2016 continuing operations adjusted EPS was a record \$2.49, a 6% increase versus 2015
- Three-year TSR ending 12-31-2016 ranks in the top 11% of the S&P 500 companies
- 2016 continuing operations sales declined 4% to \$3.75 billion due to divestitures and deflation
- 2016 continuing operations adjusted EBIT margin improved to 13.1%
- 4Q continuing operations adjusted EPS was \$.53

**October 27, 2016 – Leggett & Platt Reports 3Q EPS of \$.67**

- 3Q EPS from Continuing Operations was \$.67, unchanged versus same quarter last year
- 3Q sales declined 6% to \$949 million, largely due to divestitures
- EBIT margin was 13.7%

**September 13, 2016 – Leggett & Platt Sets Path to Continue “Top 1/3 TSR” Performance**

- Producing TSR that ranks in the Top 1/3 of the S&P 500 remains the company’s primary financial goal
- Expect to generate average annual TSR of 11%-14% for the foreseeable future
- Midpoint TSR expectation yields 2019 target sales of ~\$4.75 billion, EPS of ~\$3.25
- Revised TSR framework reflects reduced role for margin gains, modestly increased role for growth
- Maintaining longstanding priority of dividend, vigilant capital discipline and conservative balance sheet

**July 28, 2016 – Leggett & Platt Reports Record 2Q EPS from Continuing Operations**

- 2Q EPS from Continuing Operations was a record \$.72, including \$.06 of unusual items
- Adjusted 2Q EPS from Continuing Operations was \$.66, a second quarter record, up 25% vs. 2Q 2015
- 2Q sales declined 4% to \$959 million; 2% volume gain was masked by divestitures and commodity deflation
- EBIT margin was 15.3%; Adjusted EBIT margin was 13.8%

**May 17, 2016 – Leggett Announces \$.02 Dividend Increase and Annual Meeting Results**

- Second quarter dividend is \$.34 per share, an increase of \$.02 versus the first quarter 2016
- Indicated dividend yield is 2.8%, one of the highest among the S&P 500 Dividend Aristocrats
- Annual Meeting addressed 3 items of business; voting aligned with Board recommendations

**April 28, 2016 – Leggett & Platt Reports \$.63 EPS, a First Quarter Record**

- 1Q EPS was \$.63, a first quarter record and 26% improvement versus 1Q 2015
- 1Q sales were \$938 million, a 3% decrease versus 1Q 2015 due to commodity deflation and divestitures
- EBIT margin improved to 13.5%, a 190 basis point gain over 1Q last year

# Brief Company History

In 1883, a historical partnership began in Carthage, Missouri, far removed from any major metropolitan areas. Inventor J.P. Leggett initiated the partnership after developing an innovative bedspring. The bedspring consisted of single cone spring wire coils, formed and interlaced in a unique manner, and then mounted on a wood slat base. The bedsprings could then be used as a resilient,



J.P. Leggett

durable base for the then-popular cotton, feather or horsehair mattresses. Lacking expertise in manufacturing and production, Leggett recruited his future brother-in-law, C.B. Platt, whose father owned and operated Platt Plow Works. Through their partnership, they perfected the equipment necessary to produce the components of their Leggett & Platt bedspring, which was patented in 1885.

The Carthage market for the new product was very limited. To expand the market to a wider region, C.B. Platt and George Leggett, brother of J. P. Leggett, loaded a horse-drawn wagon with bedsprings and travelled to surrounding communities.



C. B. Platt

To conserve space, they would often load the springs and slats

separately into the wagon and assemble them in a store or on an adjacent sidewalk. The partnership prospered, and the business was incorporated in 1901.

The company built its first factory and offices in Carthage in 1890. The workforce at that time consisted of the two partners and five employees. Soon after completion of the Carthage plant, a second factory was built in Louisville, Kentucky.



The Platt Plow Works

During the next 50 years, three more factories were built. Demand for the company's improved bedspring was rising, and a second plant was built in Carthage in 1925. The new, much larger plant was located next to a railroad to allow for expanded shipments of products and supplies. In 1942, an additional factory was built in Winchester, Kentucky, which was subsequently consolidated with the Louisville plant. For some time, Texas had proven to be a main market outlet, and in 1947, a major factory was built in Ennis, Texas. By 1947,

Leggett & Platt consisted of 4 plants and 500 employees.

Although available in various models and continuously improved upon, bedsprings were practically the only product Leggett & Platt offered until 1933. However, in that year the company began to manufacture springs for innerspring mattresses, which were relatively new products in the industry and growing in popularity. Thereafter, the company slowly began to diversify its products within the bedding industry by producing rollaway beds and folding metal cots, along with bed frames and bed rails.

In 1960, Harry M. Cornell Jr., J.P. Leggett's grandson, was elected President and CEO of the company, taking over for his father (who was J.P. Leggett's son-in-law). The company's total sales in 1960 were approximately \$7 million from three states – Kentucky, Texas and Missouri. Determining the course and future of the company became management's primary objective. Following an extensive evaluation of the company and its potential, Harry Cornell Jr. and his management partners concluded that Leggett & Platt's best opportunities for profitable growth lay in a strategy of specializing in manufacturing, marketing, and distributing a broad and growing line of components and related products, first nationally and eventually world-

wide. Key drivers of future sales and earnings would include aggressive internal growth initiatives, coupled with an active and ongoing acquisition program.

Even greater success followed, and Leggett & Platt became known as “the components people.” Leggett & Platt stock was first traded over-the-counter in 1967. Twelve years later, on June 25<sup>th</sup>, 1979, top management was present in New York City to witness the stock’s first day listed on the New York Stock Exchange. In 1999, the company became part of the S&P 500 Index.



Top Management celebrates the listing of Leggett & Platt stock, LEG, on the NYSE in 1979. (From left to right): Felix Wright, Harry Cornell Jr., Louis Allen, & Bob Jefferies

Logical, measured steps toward diversification and expansion led to Leggett & Platt’s excellent long-term performance. Approximately two-thirds of the company’s growth over time came from acquisitions of existing businesses. Many of them were “bolt-on” extensions of Leggett & Platt businesses, and could be thought of as internal expansions made in lieu of building brand new facilities.

Today, Leggett & Platt products can be found nearly everywhere. With 2017 annual revenues of \$3.94 billion, the company is the leading U.S. producer of the following:

- Bedding components
- Automotive seat support and lumbar systems
- Components for home furniture and work furniture
- Flooring underlayment
- Adjustable beds
- High-carbon drawn steel wire
- Bedding industry machinery

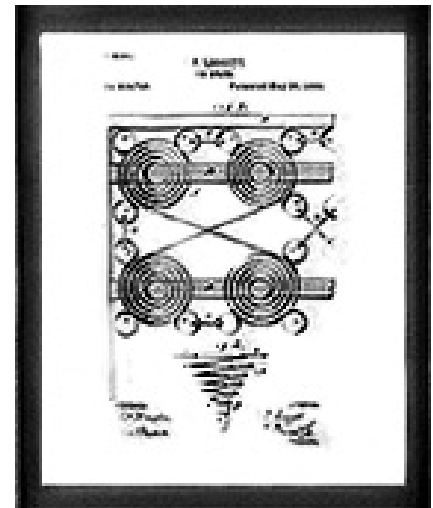
Results are reported in four business segments, shown below. The percentage of 2018’s projected total sales from continuing operations is also shown.

Residential Products	36%
Industrial Products	18%
Furniture Products	24%
Specialized Products	22%

Operations include 120 production facilities in 18 countries. Employee-partners working in the various locations include 22,000 individuals – the people of Leggett & Platt are the company’s greatest asset.

A pervasive spirit of partnership is encouraged through company-wide stock ownership, and in recent years, management and employees have invested about \$15 million annually in Leggett & Platt stock through a variety of employee benefit plans. Approximately 10-12% of Leggett & Platt shares are held by officers, directors, employees, retirees,

acquisition partners and their families.



The original patent that launched an industry

Management is led by: *Karl Glassman*, President and Chief Executive Officer, *Matt Flanigan*, Executive Vice President and Chief Financial Officer, *Perry Davis*, Executive Vice President and President, Residential Products and Industrial Products Segments, and *Mitch Dolloff*, Executive Vice President and President, Furniture Products and Specialized Products Segments.

Leggett & Platt is a component of the S&P 500 Index. The stock is listed on the New York Stock Exchange (symbol: LEG).

