

↻ Elite Comfort Solutions ↻

Leggett & Platt to Acquire Elite Comfort Solutions

Creating a Leading Provider of Differentiated Products for the Bedding Industry

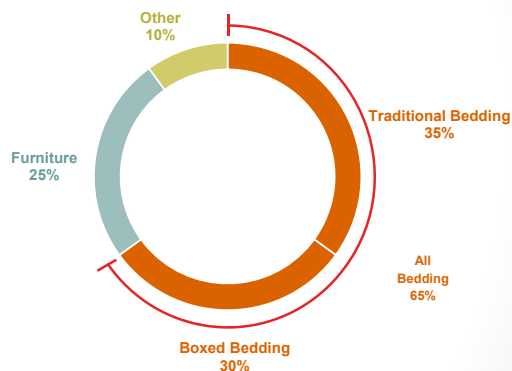
Leggett & Platt

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	<ul style="list-style-type: none">LEG to acquire ECS for \$1.25 billion in cash
FINANCING	<ul style="list-style-type: none">Planned expansion of commercial paper program and related revolving credit agreement; issuance of \$500 million 5-year term loanCommitment to rapidly deleveraging and maintaining a strong, investment grade credit ratingPost closing, LEG may refinance a portion of outstanding commercial paper through issuance of notes in the debt capital markets
FINANCIAL PROFILE	<ul style="list-style-type: none">FY 9/30/18 sales of \$611 millionExpected to generate double-digit sales growth and strong EBITDA margins that are accretive to company average marginsExpected to have a slightly negative effect on EBIT margins due to purchase accountingIn 2019, expect net interest expense of ~\$90 million, diluted shares of ~136 million, ~23% tax rateExpected to be neutral to EPS in 2019; accretive to EPS beginning in 2020Maintaining commitment to long-term dividend growth; expect to extend 47-year dividend growth track record
CLOSING & CONDITIONS	<ul style="list-style-type: none">Expected to close in January 2019

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

Other ECS Details

Leggett & Platt®

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

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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

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