

# Third Quarter Summary Financial Information

October 25, 2018



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## Forward-Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to achieve its longer-term operating targets, the impact of the Tax Cuts and Jobs Act, price and product competition from foreign and domestic competitors, changes in demand for the company’s products, cost and availability of raw materials and labor, fuel and energy costs, future growth of acquired companies, general economic conditions, possible goodwill or other asset impairment, foreign currency fluctuation, litigation risks, and other factors described in the company’s Form 10-K and Form 10-Q. Any forward-looking statement reflects only the company’s beliefs when the statement is made. Actual results could differ materially from expectations, and the company undertakes no duty to update these statements.

# Overview

- ❑ Sales were up 8%, to \$1,092 million
  - Organic sales grew 6% and acquisitions, net of divestitures, added 2%
  - Volume added 3%
- ❑ EPS from continuing ops of \$.67, up \$.06 vs. \$.61 in Q3-17
- ❑ EBIT of \$124 million, up 6% vs. Q3-17 adjusted<sup>1</sup> EBIT
- ❑ EBIT margin of 11.4%, down 20 bps vs. adjusted<sup>1</sup> EBIT margin in Q3-17
- ❑ Reduced 2018 sales and EPS guidance
  - Sales of approximately \$4.25 billion; 8% increase vs. 2017
  - EPS range of \$2.40 - \$2.50

<sup>1</sup> See slide 4 for calculation of adjusted EBIT and adjusted EBIT margin.

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# Q3 2018 Financial Highlights

<u>\$'s in millions (except EPS)</u>	<u>Reported Q3-18</u>	<u>Adj<sup>1</sup></u>	<u>Adj Q3-18</u>	<u>Reported Q3-17</u>	<u>Adj<sup>1</sup></u>	<u>Adj Q3-17</u>	<u>Change</u>
Sales	\$1,092		\$1,092	\$1,010		\$1,010	8%
EBIT	124		124	109	8	117	6%
EBIT Margin	11.4%		11.4%	10.8%		11.6%	(20 bps)
EPS (cont. ops)	.67		.67	.61	--	.61	10%
Cash from Operations	\$127		\$127	\$105		\$105	20%
EBITDA	158		158	141	8	149	6%

<sup>1</sup> See slide 26 for non-GAAP adjustments.

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# Q3 2018 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
3 <sup>rd</sup> Qtr 2017	\$1,010	
Divestitures	<u>(4)</u>	(1%)
Adjusted Q3-17 sales	1,006	
Approx volume growth	35	3%
Approx raw material-related pricing and currency impact	<u>24</u>	<u>3%</u>
Organic sales	59	6%
Acquisitions	<u>27</u>	<u>3%</u>
3 <sup>rd</sup> Qtr 2018	\$1,092	8%
EBIT:		<u>margin</u>
Adjusted 3 <sup>rd</sup> Qtr 2017 <sup>1</sup>	\$117	11.6%
Other: primarily improved margins in Steel Rod and volume growth partially offset by higher costs	<u>7</u>	
3 <sup>rd</sup> Qtr 2018	\$124	11.4%

<sup>1</sup> See slide 4 for calculation of adjusted EBIT and adjusted EBIT margin.

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# Q3 2018 Non-Operating & Taxes

\$'s in millions	Reported		Adj		Reported		Adj		Change
	Q3-18	Adj <sup>1</sup>	Q3-18	Q3-17	Adj <sup>1</sup>	Q3-17			
EBIT	\$124		\$124	\$109	8	\$117	6%		
Net interest	11		11	8		8			
Pre-tax earnings	113		113	101	8	109	4%		
Income taxes	23		23	17	9	26			
<i>Tax rate</i>			21%			24%			
Earnings from cont. ops	90		90	84	--	84	8%		
Earnings from disc. ops	-		-	(1)	--	(1)			
Net earnings	90		90	83	--	83	9%		
Non-controlling interests	-		-	-		-			
Net earnings attributable to L&P	90		90	83	--	83	9%		
EPS	.67		.67	.60	--	.60	12%		

<sup>1</sup> See slide 26 for non-GAAP adjustments.

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# Adjusted Working Capital

	<b>9/30</b>	<b>6/30</b>	<b>9/30</b>
<b>\$'s in millions</b>	<b><u>2018</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash & equivalents	\$364	\$446	\$343
Accounts receivable, net	626	650	586
Inventories, net	634	634	558
Other current assets	<u>44</u>	<u>52</u>	<u>63</u>
Total current assets	<u>1,667</u>	<u>1,783</u>	<u>1,550</u>
Current debt maturities	(4)	(154)	(153)
Accounts payable	(429)	(451)	(382)
Accrued and other current liabilities	<u>(353)</u>	<u>(333)</u>	<u>(356)</u>
Total current liabilities	<u>(785)</u>	<u>(937)</u>	<u>(891)</u>
Working capital	882	846	659
% of annualized sales <sup>1</sup>	20.2%	19.2%	16.3%
W/C, excluding cash & current debt	522	553	469
% of annualized sales <sup>1</sup>	12.0%	12.5%	11.6%

<sup>1</sup> Annualized sales: 3Q18: \$1,092x4=\$4,368; 2Q18: \$1,102x4=\$4,408; 3Q17: \$1,010x4=\$4,040

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# Debt & Equity

	<b>9/30</b>	<b>6/30</b>	<b>9/30</b>
<b>\$'s in millions</b>	<b><u>2018</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Long-term debt	\$1,353	\$1,298	\$1,044
Current maturities	4	154	153
Less: cash	<u>(364)</u>	<u>(446)</u>	<u>(343)</u>
Net debt	993	1,005	855
Long-term debt	1,353	1,298	1,044
Other long-term liabilities	245	280	215
Shareholders' equity	<u>1,166</u>	<u>1,129</u>	<u>1,173</u>
Total capital	2,764	2,707	2,432
Current maturities	4	154	153
Less: cash	<u>(364)</u>	<u>(446)</u>	<u>(343)</u>
Net capital	2,404	2,415	2,243
Long-term debt to total capital	49.0%	47.9%	42.9%
<i>Net debt to net capital</i>	41.3%	41.6%	38.1%
Shares outstanding (end of period)	130.4m	130.1m	131.8m

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# Cash Flow

\$'s in millions	3 <sup>rd</sup> Qtr		YTD	
	2018	2017	2018	2017
Net earnings	\$90	\$83	\$253	\$256
D&A	34	32	101	94
Impairment, write-offs & other	2	3	7	8
Other non-cash	(12)	(4)	12	21
Changes in working capital:				
Accounts receivable	10	(7)	(76)	(79)
Inventory	8	12	(46)	(39)
Other current assets	9	(4)	1	(11)
Accounts payable	(21)	(10)	(1)	14
Other current liabilities	6	1	-	(2)
Cash from operations	127	105	251	262
Capital expenditures	41	40	123	119
Acquisitions	18	-	108	39
Dividends	49	48	144	138
Share repurchases (issuances), net	1	42	108	155
Proceeds from asset sales	2	11	4	13
Additions (repayments) of debt, net	(91)	13	100	228

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# YTD 2018 Financial Summary

\$'s in millions (except EPS)	Reported 2018	Adj <sup>1</sup>	Adj 2018	Reported 2017	Adj <sup>1</sup>	Adj 2017	Change
Sales	\$3,223		\$3,223	\$2,959		\$2,959	9%
EBIT	353		353	347	8	355	(1%)
EBIT Margin	11.0%		11.0%	11.7%		12.0%	(100 bps)
EPS (cont. ops)	1.87		1.87	1.87	-	1.87	-%
Cash from Operations	\$251		\$251	\$262		\$262	(4%)
EBITDA	454		454	441	8	449	1%

<sup>1</sup> See slide 26 for non-GAAP adjustments.

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# YTD 2018 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2017	\$2,959	
Divestitures	<u>(25)</u>	(1%)
Adjusted 2017 sales	2,934	
Approx volume growth	97	3%
Approx raw material-related pricing and currency impact	<u>113</u>	<u>4%</u>
Organic sales	210	7%
Acquisitions	<u>79</u>	<u>3%</u>
YTD 2018	\$3,223	9%
<b>EBIT:</b>		<u>margin</u>
Adjusted YTD 2017 <sup>1</sup>	\$355	12.0%
Other: volume growth more than offset by higher steel costs (including LIFO expense)	<u>(2)</u>	
YTD 2018	\$353	11.0%

<sup>1</sup> See slide 10 for calculation of adjusted EBIT and adjusted EBIT margin.

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# YTD 2018 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	2018	Adj <sup>1</sup>	2018	2017	Adj <sup>1</sup>	2017	
EBIT	\$353		\$353	\$347	8	\$355	(1%)
Net interest	37		37	26		26	
Pre-tax earnings	316		316	321	8	329	(4%)
Income taxes	63		63	64	9	73	
<i>Tax rate</i>			20%			22%	
Earnings from cont. ops	253		253	257	--	257	(2%)
Earnings from disc. ops	-		-	(1)	--	(1)	
Net earnings	253		253	256	--	256	(1%)
Non-controlling interests	-		-	-		-	
Net earnings attributable to L&P	253		253	256	--	256	(1%)
EPS	1.87		1.87	1.86	--	1.86	(1%)

<sup>1</sup> See slide 26 for non-GAAP adjustments.

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# 2018 Guidance

- ❑ Sales guidance of approximately \$4.25 billion (the low-end of our prior range of \$4.25 - \$4.35 billion); 8% growth versus 2017
  - Assumes low-single-digit volume growth; raw material-related selling price increases should also add to sales growth
  - Acquisitions, net of divestitures, expected to add 2% to sales
- ❑ EPS reduced to \$2.40-\$2.50, versus prior range of \$2.55-\$2.70
  - Lower than previously expected sales in Automotive
  - Pricing lag on raw material increases in European Spring, Flooring Products and Fabric
  - Continued volume weakness in Home Furniture and European Spring
  - Promotional activity and lower overhead recovery in Adjustable Bed
- ❑ Implied EBIT margin of 10.8% to 11.2%
- ❑ Operating cash is expected to approximate \$400 million
- ❑ Cap-ex of ~\$185 million
- ❑ Full year tax rate of ~21%
  - 1Q = 18%; 2Q = 21%; 3Q = 21%; 4Q = ~23%
- ❑ Diluted shares of ~135 million

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# Segments

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## Q3 2018 Segment Summary

	<b>Q3-18 Organic Sales Growth <sup>1</sup></b>	<b>Q3-18 EBIT Margin</b>	<b>Δ vs Adj. Q3-17 <sup>2</sup></b>
Residential Products	3%	9.6%	-210bps
Industrial Products	28%	14.5%	+1,010bps
Furniture Products	4%	4.7%	-380bps
Specialized Products	3%	17.1%	+70bps
Total Consolidated	6%	11.4%	-20bps

<sup>1</sup> Includes raw material-related selling price increases and currency impact.

<sup>2</sup> See slides 19, 23 and 26 for non-GAAP adjustments.



# Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 <sup>rd</sup> Qtr 2017	\$431	
Acquisitions	5	1%
Organic sales <sup>1</sup>	<u>14</u>	<u>3%</u>
3 <sup>rd</sup> Qtr 2018	\$450	4%

<sup>1</sup> Raw material-related selling price increases (5%) offset by volume (1%) and currency impact (1%).

EBIT:		<u>margin</u>
3 <sup>rd</sup> Qtr 2017	\$51	11.7%
Other: primarily lower sales volume and higher raw material costs	<u>(8)</u>	
3 <sup>rd</sup> Qtr 2018	\$43	9.6%

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## Residential – Key Points

- ▣ Q3 organic sales were up 3%:
  - Volume decreased 1%, with growth in U.S. Spring more than offset by soft demand in other businesses.
  - Raw material-related selling price increases add 5%; currency decreased sales 1%
- ▣ Organic sales trends excluding inflation and currency:
  - U.S. Spring component \$'s were up 5%
    - Total innerspring units increased 1%
    - Boxspring units decreased 22%
    - Comfort Core innerspring units increased 22%
      - Growth from both content gains and market share gains with traditional and direct-to-consumer customers
  - International Spring \$'s up 2%
- ▣ Q3 EBIT and EBIT margin decreased, primarily from lower sales volume and higher raw material in several businesses.

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# Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 <sup>rd</sup> Qtr 2017	\$135	
Organic sales <sup>1</sup>	<u>38</u>	<u>28%</u>
3 <sup>rd</sup> Qtr 2018	\$173	28%

<sup>1</sup> Steel related price increases (19%) and higher volume (9%).

EBIT:		<u>margin</u>
Adjusted 3 <sup>rd</sup> Qtr 2017 <sup>2</sup>	\$6	4.4%
Other: primarily from improved metal margins at our steel rod mill	<u>19</u>	
3 <sup>rd</sup> Qtr 2018	\$25	14.5%

<sup>2</sup> Adjusted to exclude impairment charge of small operation (\$5m).

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## Industrial – Key Points

- ❑ Q3 organic sales were up 28% from steel related price increases (19%) and volume growth (9%).
- ❑ Q3 EBIT and EBIT margin increased, primarily from improved metal margins at our steel rod mill.

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# Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 <sup>rd</sup> Qtr 2017	\$288	
Organic sales <sup>1</sup>	<u>10</u>	<u>4%</u>
3 <sup>rd</sup> Qtr 2018	\$298	4%

<sup>1</sup> Volume (2%) and raw material-related selling price increases, net of currency impact (2%).

EBIT:		<u>margin</u>
3 <sup>rd</sup> Qtr 2017	\$25	8.5%
Other: primarily from higher raw material costs, promotions and lower overhead recovery	<u>(11)</u>	
3 <sup>rd</sup> Qtr 2018	\$14	4.7%

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## Furniture – Key Points

- ▣ Q3 organic sales were up 4%
  - Volume increased 2% from growth in Adjustable Bed and Work Furniture partially offset by declines in Home Furniture and Fashion Bed.
  - Raw material-related price inflation, offset slightly by currency impact, increased sales 2%
- ▣ Organic sales trends excluding inflation and currency:
  - Adjustable Bed sales increased 27%
  - Work Furniture sales were up 5%
  - Home Furniture sales decreased 12%
  - Fashion Bed sales declined 14%
- ▣ Q3 EBIT and EBIT margin decreased, primarily from higher raw material costs, promotional activity and lower overhead recovery.

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# Specialized Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 <sup>rd</sup> Qtr 2017	\$230	
Divestitures	<u>(4)</u>	(2%)
Adjusted Q3-17 sales	226	
Acquisitions	22	10%
Organic sales <sup>1</sup>	<u>6</u>	<u>3%</u>
3 <sup>rd</sup> Qtr 2018	\$254	11%

<sup>1</sup> Higher volume (5%) offset by currency impact (2%).

EBIT:		<u>margin</u>
Adjusted 3 <sup>rd</sup> Qtr 2017 <sup>2</sup>	\$38	16.4%
Other: primarily from higher volume	<u>6</u>	
3 <sup>rd</sup> Qtr 2018	\$44	17.1%

<sup>2</sup> Adjusted to exclude CVP divestiture loss (\$3m).

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## Specialized – Key Points

- ❑ Q3 organic sales grew 3%, from volume growth in Automotive and Aerospace partially offset by currency impact.
- ❑ Organic sales trends excluding currency:
  - Automotive sales increased 4%
  - Aerospace sales were up 10%
- ❑ PHC acquisition added 10% to sales growth.
- ❑ Q3 EBIT and EBIT margin increased, primarily from higher volume.

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FOR ADDITIONAL INFORMATION

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## Non-GAAP Adjustments

(\$ millions, except EPS)	Q3-18	Q3-17	YTD 2018	YTD 2017
<b><u>Non-GAAP Adjustments (\$'s)</u></b> <sup>1</sup>				
Loss from sale of business	-	3	-	3
Impairment charges	-	5	-	5
<b>Non-GAAP adjustments (pre-tax \$'s)</b>	-	<b>8</b>	-	<b>8</b>
Income tax impact		(3)		(3)
Tax benefit from CVP divestiture		(6)		(6)
Non-GAAP adjustments (after tax \$'s)	-	-	-	-
Diluted shares outstanding	134.7	136.9	135.4	137.5
<b>EPS impact of non-GAAP adjustments</b>	-	-	-	-

<sup>1</sup> Calculations impacted by rounding