THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

LEG - Q1 2018 Leggett & Platt Inc Earnings Call

EVENT DATE/TIME: APRIL 27, 2018 / 12:30PM GMT

OVERVIEW:

Co. reported 1Q18 sales of $1.029b and EPS of $0.57. Expects 2018 sales to be $4.3-4.4b and EPS to be $2.60-2.80.

THOMSON REUTERS

CORPORATE PARTICIPANTS

David M. DeSonier *Leggett & Platt, Incorporated - SVP of Strategy & IR*

J. Mitchell Dolloff *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Karl G. Glassman *Leggett & Platt, Incorporated - CEO, President & Director*

Matthew C. Flanigan *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Perry E. Davis *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Susan R. McCoy *Leggett & Platt, Incorporated - VP of IR*

CONFERENCE CALL PARTICIPANTS

Beryl Bugatch *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

Daniel Joseph Moore *CJS Securities, Inc. - Director of Research*

Herbert Arthur Hardt *Monness, Crespi, Hardt & Co., Inc., Research Division - Director of Research*

John Allen Baugh *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Justin Laurence Bergner *G. Research, LLC - VP*

Keith Brian Hughes *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Peter Jacob Keith *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Spencer Everett Joyce *Hilliard Lyons, Research Division - VP and Analyst for Industrials, Natural Gas & Water Utilities*

Susan Marie Maklari *Crédit Suisse AG, Research Division - Research Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Leggett & Platt, Incorporated First Quarter 2018 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Susan McCoy, Vice President of Investor Relations. Thank you, Ms. McCoy, you may begin.

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

Good morning, and thank you for taking part in Leggett & Platt's first quarter conference call. With me today are Karl Glassman, President and CEO; Matt Flanigan, Executive Vice President and CFO; Perry Davis, who's EVP and President of both the Residential and Industrial segments; Mitch Dolloff, EVP and President of the Furniture Products and Specialized Products segments; Dave DeSonier, Senior Vice President of Strategy and Investor Relations; and Wendy Watson, our Director of Investor Relations.

The agenda for our call this morning is as follows: Karl Glassman will start with a summary of the major statements we made in yesterday's press release; Matt Flanigan will then discuss financial details and our outlook for 2018; and finally, the group will answer any questions that you have.

This conference call is being recorded for Leggett & Platt and is copyrighted material. This call may not be transcribed, recorded or broadcast without our expressed permission. A replay is available from the IR portion of Leggett's website. We posted to the Investor Relations portion of the website yesterday's press release and a set of PowerPoint slides that contain summary financial information, along with segment details. Those documents supplement the information we discuss on this call, including non-GAAP reconciliations. I need to remind you that remarks today concerning future expectations, events, objectives, strategies, trends or results constitute forward-looking statements. Actual results or events may differ materially due to a number of risks and uncertainties, and the company undertakes no obligation to update or revise these statements. For a summary of this risk factors and additional information, please refer to yesterday's press release and the sections in our 10-K and 10-Qs entitled Forward-Looking Statements and Risk Factors.

I'll now call -- turn the call over to Karl Glassman.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Good morning, and thank you for participating in our first quarter call. Before I begin my prepared remarks, I want to thank Dave DeSonier for his years of service to Leggett and our investors. This is Dave's last conference call. As he winds down through his year-end retirement, Dave will be focusing almost exclusively on strategic planning. Dave joined Leggett in early 2000. He organized our first investors call and has done an outstanding job of facilitating our investor relations communication and transparency. Thank you, Dave.

David M. DeSonier - *Leggett & Platt, Incorporated - SVP of Strategy & IR*

Welcome.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

We are very pleased with our start to 2018. As we reported yesterday, first quarter sales increased 7% to $1.029 billion. Organic sales grew 6%, primarily from raw material-related price increases and positive currency impact. Volume grew 1% with strength in Automotive and Adjustable Bed, largely offset by soft demand in several other businesses. Acquisitions also added 2% to sales growth, partially offset by prior year divestitures.

First quarter earnings per share were $0.57, down 8% from $0.62 in the first quarter last year, primarily from higher raw material cost. EBIT and EBIT margin declined due to pricing lag we experienced with passing along commodity inflation. To reflect this continued steel inflation, we are raising our 2018 sales guidance to $4.3 billion to $4.4 billion and lowering our full year EPS guidance to $2.60 to $2.80. Matt will discuss guidance in more detail later in the call.

We are encouraged about the remainder of 2018 as Automotive and Adjustable Bed continue to strongly outperform their markets. Work Furniture is making impressive gains in collaborative soft seating, and several factors should contribute to growth in our Bedding business.

In the U.S., we are benefiting from market share gains with both traditional and direct-to-consumer mattress producers and increased content in more of the mattresses our customers produce.

Comfort Core units continue to grow as a percentage of total innerspring units and more customers are adding Quantum Edge perimeter springs to their inner springs. In the first quarter of 2018, over 35% of our Comfort Core units included Quantum Edge. We expect this growth to continue as mattresses with Comfort Core and Quantum Edge are preferred by our -- by consumers, articulate better in Adjustable Beds and streamline production for our customers.

As expected, margins declined in first quarter from continuing steel inflation. Steel cost increased in late 2017, have further accelerated year-to-date and are expected to go up again in May. We are able to pass these increases on to our customers after an approximate 90-day lag in the majority of our businesses. However, since inflation has continued, we now expect margin compression into the second quarter. Assuming costs stabilize, margins should improve in the second half of the year.

On the subject of steel, we are frequently asked how the recently announced Section 232 steel tariffs and other duties on steel rod are affecting our operations. Depending on the type of steel input, we are seeing varying degrees of inflation in the U.S. Long product, the steel industry term for rod and wire, which are the steel products we produce at our rod and wire mills, is up 20% since the end of 2017. Flat product, hot or cold-rolled sheet steel, which we purchase for use in several of our businesses but most heavily in home furniture, is up 20% to 30% since the end of 2017. The majority of our steel costs are in our long product and flow through our Industrial Products segment and into our other businesses where we internally consume about 2/3 of the wire we produce. As I mentioned, we are able to pass along these steel cost increases to our customers, subject to the pricing lag. However, we have less ability to fully pass through steel inflation in our Home Furniture business, especially as our competitors produce their products in China where steel costs are lower. Given the recent increases in flat steel costs in the U.S., we are responding by reducing our cost structure and moving additional production to our Chinese operations to take advantage of the lower input cost.

As a reminder, from last year's -- last quarter's conference call, I am no longer giving segment narratives since those results are detailed in yesterday's press release and the slide deck we posted on the Investor Relations website. We will be happy to discuss any questions you have relating to the segments during the Q&A at the end of the call.

I'll now turn the call over to Matt.

Matthew C. Flanigan - *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Thanks, Karl, and good morning, everyone. Cash from operations was $44 million in the first quarter, which is in line with our normal seasonality and reflects increased working capital investment supporting higher sales and inflation. We ended the quarter with adjusted working capital as a percentage of annualized sales at 12%. We now expect our full year operating cash to approximate $450 million. Capital expenditures should approximate $160 million and dividends should require about $195 million of cash for the year. Our top priorities for use of cash remain organic growth, dividends and strategic acquisitions. After funding these priorities, if there is cash still available, we generally intend to repurchase stock.

Our financial base remains very strong. We ended the quarter with net debt to net capital of 37.8%, within our long-standing targeted range of 30% to 40%, reflecting working capital investment, first quarter stock repurchases and increased acquisition activity. We also monitor debt-to-EBITDA and ended the quarter with debt at 2.4x our trailing 12-months adjusted EBITDA. As Karl mentioned, we are raising our full year sales guidance to $4.3 billion to $4.4 billion, up 9% to 12% versus 2017. We expect a mid-single-digit volume growth from strength in Automotive, Bedding, Adjustable Bed, Work Furniture, Aerospace and Geo Components. Raw material-related price increases and currency impact should also add to sales growth. The PHC acquisition completed in January in our new Hydraulic Cylinders business unit is expected to add 2% to sales growth. However, we are lowering our full year earnings per share guidance $0.05 to a range of $2.60 to $2.80 per share, largely due to the impact of ongoing steel cost inflation. Based upon this guidance range, we anticipate our 2018 full year EBIT margin to be between 11.5% to 12%. This guidance also assumes an approximate 22% full year tax rate.

Lastly, on January 1 of this year, we adopted the new revenue recognition accounting standard, ASC 606, using the modified retrospective method. This new standard did not materially impact our first quarter results, and we do not expect it to have any ongoing material impact on our sales, net earnings, balance sheet or cash flows.

With those comments, I'll turn the call back over to Susan.

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

That concludes our prepared remarks. We thank you for your attention, and we will be glad to answer your questions. (Operator Instructions). Michelle, we're ready to begin Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Susan Maklari with Crédit Suisse.

Susan Marie Maklari - *Crédit Suisse AG, Research Division - Research Analyst*

My first question is around the pricing and sort of -- I know that you started to put some of this through in the third quarter of last year, just given the inflation that we started to see, but can you give us some sense of where you are in terms of the price increases maybe across the different businesses? And Just some idea of how we should expect that to flow through as we think about the upcoming quarters.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Susan, I'll take a swing. This is Karl. I'll take a swing at it at the high level, and ask Perry and Mitch to weigh in on specific product categories. But basically, what happened is, first off, you're correct that we saw steel-related inflation in 3Q of last year, passed through in 4Q. Steel was relatively flat in October and November, and then we saw a significant spike in December. That's why, on our last call in February, we guided folks to understand that we were going to have some weakness, some margin weakness in 1Q of this year. Some of the analysts heeded that advice, some of them didn't. But anyway, that -- we have since passed through the inflation that we experienced in 4Q successfully in virtually every business. Mitch will talk about Home Furniture in some detail. But the timing is, that's recovered. What we didn't anticipate when we gave full year guidance was the significant run of steel inflation that we've experienced in February and March on into April, scrap-based and then, ultimately, into product. We are in the process of passing through that inflation. It will be in place by July 15 as -- at its latest. That's assuming that we don't have another round of inflation. Right now, we expect some steel stability that we expect scrap to trade about sideways in May. We've seen the flat and long selling prices stabilize. We're seeing some continued increase in rod, but the amount of increases are slowing. So our current guidance is based on a forecast that we're seeing some stability in steel, which would be a very good thing for us to finally catch up in July. We'll -- that's really why we're showing that strong forecast in the back half. Now there's some probability we'll see another round. If, in fact, we do, it will increase our LIFO forecast. We'll have significant FIFO gains. Our steel mill does extremely well in this type of environment. So -- and I want to complement our employees that are listening to this call. Passing through inflation is difficult. Our people are really, really good at it, and anybody that doubts that has been proven wrong historically. So we just need some stability in our cost structure. But either Perry or Mitch, either one of you had anything to add?

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Okay. I'll -- maybe I should comment a little bit around Home Furniture because I think it's a slightly different dynamic than we have on the Bedding side where we really don't have a contractual basis to pass the price increases along. So we did experience the inflation at the end of last year, didn't have a whole lot of luck passing that through due to the situation with falling steel prices in Asia. This year, we have made some progress in pushing through price increases, but we have not fully recovered. We will continue to aggressively pursue those price increases, both in the U.S. and in China, where necessary. And in the -- you know, in the long term, we will not maintain unprofitable business. That being said, there are some things that we can do to help ourselves. We can -- as you probably all know, we have manufacturing assets both in China and in the U.S., and we are working hard to manage our global footprint to optimize the steel, labor and transportation costs over the long run. So we expect that over time, we'll be flexing our production capacity in the U.S. and China as circumstances vary. But right now, these factors shift towards us producing more product in China. Beyond that, we're also aggressively looking at our structure and approach to reduce overhead and operating costs. We're making good progress there and we think that we'll have some more. So that also puts us in a position, if things play out as we think, that the back half of the year for Home Furniture will be stronger from a profitability standpoint than we'll experience in the first half.

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

And Susan, I'd just echo -- this is Perry. I'd just echo Karl's comments. And -- with regards to rod and wire increases, we do anticipate further increase in May. But as Karl said, the rate is slowing. It appears that we may be nearing the inflection point there. If that be -- is the case, both for those programmatic formulae increases and for the industry in general, we expect to have our pricing caught up with that inflation by early July.

Susan Marie Maklari - *Crédit Suisse AG, Research Division - Research Analyst*

Okay, that's very helpful. And then I just wanted to get a little bit more color on the Bedding side. It sounds like, overall, maybe units are a little soft, but you're definitely continuing to gain some share with the Comfort Core product and the Quantum Edge. So can you just give us a sense of what's going on in the end markets there? I know that there's been a lot of movement. And then maybe just some sense of what that means for you?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Yes, definitely. The -- and you're right, the first part of the year, January, started off extremely slow. Now there's a lot of factors, and it's changing our product lines. We had some terrible weather conditions in certain areas that probably hampered shopping, and those kind of continued on through February. But we've seen a pick up in the latter part of the quarter. And then if you -- I -- Karl and I did some checking yesterday as to April, we have 3 complete weeks to look at. And in the U.S. business through the first 3 weeks, we're up about 4%. So if that trend holds, and we don't see any reason why it wouldn't, April is traditionally not a strong month in the U.S. bedding market, but there seems to be some legs to this now. I don't think I've ever seen a time after a January market where our customers have been able to floor their products any quicker. So I -- a lot of the floors are already set. There's still some work to do on others. But it's important that they have all those components in place by Memorial Day for the traditional selling season, and they look to be kind of well ahead of the curve compared to the -- in past years.

We are pleased with Comfort Core and with Quantum Edge. Those gains, I suspect, will continue to increase. As Karl said in the opening remarks, we're about 35% penetrated in the Comfort Core category with Quantum Edge. I suspect that as we run along through the course of this year, we'll go past 40% with those content gains. And then one other area. In looking at the innersprings that we produced for upholstery layers, let's call it generically our nanoproducts, we're seeing great penetration there. And year-on-year, those products are up about 60%. So we're seeing increased interest in using coils in place of other kind of exotic filling components, whether they be latex or types of viscoelastic or other products that are used in the comfort layer of mattresses. So we're excited about that too. That product category, while still relatively small, will begin to become meaningful for us, and the rate of growth is outstanding.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

To pile on just a little bit there. The -- when Perry gave you the April statistics, those were same-day. So we had an extra shipping day in April. So he has neutralized that out. So that same-day unit growth, based on the Delta that we saw in the first quarter, so we had 3 down in units, if we look at just innerspring dollars, we were up 7% in innerspring dollars attributed to the content gains and to inflation. So roughly that 7% growth in units will probably, with continued inflation, look like something, 12%, 13%, maybe even 14% in dollars. So it's significant.

Susan Marie Maklari - *Crédit Suisse AG, Research Division - Research Analyst*

Okay. And then, Perry, can -- or one of you, just remind us of the comps that you're going to come up against in the bedding spaces we go through second and third quarters, just given some of the sort of changes that happened this time last year.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Yes. I've got it right here, Perry.

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Yes.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Innerspring units in 4Q of -- I'm sorry, 2Q of last year were down 8%. That was the time of most significant market disruption over the whole Mattress Firm/Tempur Sealy, issue. 3Q down 3%, 4Q down 2%. So the comps admittedly in the second quarter are relatively easy. I'm absolutely convinced you'll see positive units from us this year.

Susan Marie Maklari - *Crédit Suisse AG, Research Division - Research Analyst*

Okay. And then I have one last question and then I'll give someone else a chance. But as you sort of look across Leggett and you think about all the different end markets that you touch and that you're in, what are you seeing broadly in terms of maybe more than consumer products relative to some of your industrial products? Can you just give us some high-level sense of sort of your touch on things?

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Yes, Susan, thanks for that question. And I apologize, this answer is going to take a few seconds, but it -- minutes, actually. But it -- when we look back at the first quarter, I know that the analysts have all written that we missed the first quarter. I beg to differ. I think we've exceeded the first quarter. Matter of fact, our internal forecast was $0.57 of EPS. We reported $0.57. Had $0.03 of LIFO we didn't expect, plus -- admittedly, we had $0.02 of tax benefit that we didn't expect. So neutralized I am at $0.58. That's somewhat remarkable in an environment where we only have 1% unit growth. And I think that's the root of your question that it's a testimony to our pricing power, first off. But in -- if you aggregate 3Q and 4Q last year, we had about 4.5% volume growth. Some of Perry's commentary on 1Q, I believe, weather was a significant issue in our construction-related businesses. Flooring products, which is Carpet Cushion, and Geo Components, we saw real softness in January that's atypical. And then in the residential-related businesses, Perry said we saw softness in Bedding, certainly saw some related softness in our Fabric business that sells into Bedding and Home Furniture. Home furniture demand was soft. Consumer products were soft. Adjustable Bed growth was significant at 22%, probably would've been better than that in a different weather environment. So the fed released the retail sales statistics, and they were admittedly soft in the first quarter. So we think that 1%, we're really comfortable that we're through the worst of it. Our belief, our guidance is all around mid-single-digit unit growth. We're comfortable with that prediction based on what we saw in the back half of last year and what we've seen in April. Business is much, much better. So as we kind of go around all those product categories, there's strength in every one of them from a unit perspective. The only bit of weakness would be in Home Furniture. And it goes to this transition that Mitch spoke to, and frankly, our lack of doing business where we can't make an acceptable return. So we're appropriately optimistic is the very short answer. Shorter than what I said with that final comment. And I'm sorry for all of that, but I had to take the opening, Susan.

Operator

Our next question comes from Budd Bugatch with Raymond James.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

It is Budd for Bobby on for this call.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Budd, before we go any further, everybody in the room wants to wish you a happy birthday. So happy birthday, Budd.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

Thank you very, very much. I can't remember how many there are or have been.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

It's a big number. It's significantly larger than our first quarter EPS, but go ahead.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

Karl, I want to go to the second part of the sentence in the first paragraph of the release regarding Bedding, where you say you expect market improvement as 2018 progresses. And I want to drill down to a couple of areas about what do you -- how are you defining the market? And I know you gave us some read on April, but why would the market improve overall? And as I said, how are you defining the "market?"

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

The market in that sentence is meant to be the domestic market, which most of the investors are most sensitive to. We expect continued robust strength globally. But -- so that -- it is the domestic bedding market. And it's really -- what we saw -- what we're seeing in April, what we're hearing from our customers, both at the OEM manufacturing level and at retail, it's the lack of disruption that we'll have from the Mattress Firm/Tempur issue. So to the answer to Susan's questions, the comps are relatively easy. So it's -- the placement -- Perry made reference to this, it's the placement of new products and the enthusiasm around those product launches. We expect that there will be much more robust advertising spend. It's what we're hearing from both the manufacturers and the retailers. So we're generally feeling just better about things. But, Perry, do you...

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Yes, I mean, the other part of the market, Budd, that you may have in mind too, is the box bed category. We're really optimistic there for a variety of reasons. But we've got, in some instances, relatively large players in that market that are making switches over to Comfort Core innersprings. We have other players who are maintaining their current product categories in the marketplace, but they're looking strongly at adding additional lines. And we're having conversations with a lot of those folks with regards to hybrid offerings that they want to build their lines with. So that's an area where, although that still doesn't represent a huge portion of the market, it is growing, obviously. And it's an important part of the market for us in that the first folks to play there were primarily the foam people. And now we're seeing that market more closely mirror or begin to look like the market in general where there is a preference for innerspring. So we think over time that, that will change significantly. And we, obviously, want to be a big player in that market. Quantum Edge in those edge enhanced-type products where they come out of the packaging and the edge is something that is demonstrable to the consumer, it's a true feature -- benefit for the consumer and it's custom-made for that type of product. So we're excited about that.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

Well, I did have in mind the domestic market, but I was trying to see whether the market you are referring to was the market as maybe defined by ISPA or something different in looking at that overall domestic market? And how do you look -- how are you looking at that?

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

It's total market, Budd.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

So that would be 28 million units. Is that the way that I'm -- we think about the market?

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Yes, I think that, that's a good number, 28 million or 29 million. It's difficult to define the total market at this point. No real good data on domestic bed-in-a-box, better data on imported mattresses. I think Imported mattress is continuing to gain share, probably now greater than 20% of units. So yes, aggregate everything together and we're in that 28 million to 29 million units.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD and Director of Furnishings Research*

Okay. And last for me. Just you talked about Adjustable Beds and also Automotive has been still continued strong. We always worry that when you have some areas that are performing as consistently and as strong as they have that there may be some downtrend coming. How do we get comfort that, that's not the case?

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Budd, this is Mitch. Let me comment on Automotive first. So we were up 7% in the first quarter year-over-year, which we feel very good about when we look at the overall market. Well, our goal of 1,000 basis points above the market is sort of our long-term goal, and don't really want to comment on quarter-to-quarter. I think if you looked at the first quarter for the overall market, you'd see production actually down a bit for the major markets and the market as a whole, maybe 1% or 2%. So we feel like 7% is very strong. And also, you'll know that -- you'll recall that we have really good visibility about our sales in the out years based on our program wins. And so we won over $300 million in new programs last year, continue to be very strong there. So our outlook, both for this year and for the coming years, tells us that we can continue to make our 1,000 basis points above the market target. So that's on Automotive. Still strong there. Adjustable Beds has just been going great. Really strong Q3, Q4 last year, continued into Q1. Our business with our major customers continues to be strong in the first quarter, and we are ramping up capacity to help us serve them for the remainder of the year. So we don't -- I don't see negative headwinds there either. So we feel really good about both of those businesses going forward.

Operator

Our next question comes from Keith Hughes with SunTrust Robinson Humphrey.

Keith Brian Hughes - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

A couple of questions on organic growth. Your guidance assumes mid-single digits. Does that include volume from the PHC acquisition?

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

No, Keith, that's separate.

Keith Brian Hughes - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

That's organic. So you did 1% first. This is a pretty big ramp. I know you're bullish on auto and adjustables. Other businesses are going to have to pick up to get to this estimate. What's -- if you kind of rank order, what do you think will start to accelerate in order of magnitude?

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Certainly, domestic bedding, continued growth in international. International spring had a little bit of a soft first quarter after a really, really strong last couple of years. We expect resurgence of growth there, most of that little bit of softness was in Latin America that since reversed. We certainly expect that we're not going to have weather events, I mean, Geo Components was really soft in the first quarter. That business has been growing.

THOMSON REUTERS

It's significantly greater than single digits. Carpet Cushion is regrowing. Though it is just more robust -- robustness in those markets, we don't see anything fundamentally different in 2018 than we saw from a unit perspective in 2017. And we had 4% unit growth in 2017 even with the disruption that we experienced in the bedding industry.

Keith Brian Hughes - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Okay. And then just switching back to steel real quick. Looks like scrap, I think you mentioned this. Looks like scrap has kind of gone down a little flat now, maybe, is the better word, in the last sort of month or so. Is this -- how are the spreads been running in the last month or the next couple of months? Are they normal, are they widening, how is that winding down?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Keith, this is Perry. They're widening. There's a lot of factors at play right now in the marketplace with regards to some of the tariffs that were put on latter part of last year and early part of this year, have constrained the importation of long products. And so that has enabled some of the domestic producers to pick up the slack there, increase their productive capacity and it's put some constraints. There's been a good demand environment for those products. So the pricing power in the marketplace for rod right now is relatively strong, and we've seen some pretty hefty increases there. As Karl said, since the first of the year, long products up around 20%.

I would add, too. Keith, I would add just going back briefly on Geo Components, which is a growing business for us obviously. It's a business that is seasonal. It's weather-dependent. We really had a rough go of it in January and February due to weather there. We sustained through all that good backlogs. We kind of have some vision into those programs -- not programs but projects rollout. And we saw the volume there with improvement in the weather situation in March really picked up tremendously. And that's holding now so much so our guys that are running that business unit are resolute in their conviction that the business volumes that we planned for in our strategic plans starting out the year, they're going to be attained. And so we believe that backlog is just delayed and that, that demand is, in fact, truly pent-up demand that will shift as we go forward. So that will improve our -- obviously our dollar volume but the number of products that we're able to get out the door.

Keith Brian Hughes - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Got it. And so as you look at margins in the second quarter company-wide and you signal there's going to be compression. Do you think there'll be less -- where you stand today, will there be less compression in the second versus in the first?

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

Similar about, Keith. And then to get back to the full year, that would indicate meaningful improvements in both the third and fourth quarter.

Keith Brian Hughes - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Okay. So there's -- rolling so much pricing I'm kind of really surprised at the margin compression. I understand why, but it wouldn't lessen at least somewhat going into the second. Is there any other things going on in the second that is kind of urgent?

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

No, we're not -- that similar comment, you can apply a range to that, too. And maybe there's a little bit of improvement but no is the answer.

Operator

Our next question comes from Daniel Moore with CJS Securities.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

I wanted maybe just touch a little bit on the PHC acquisition. Talk a little bit about what you're seeing since the close? And what your outlook is for organic growth and any revenues or cost synergies expected.

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Okay. Daniel, this is Mitch. So PHC has performed really well in a couple of months that we've had them. Their sales are up year-over-year. And we see really strong demand, both in North America and in Europe in the current coming period. So we feel very good about that. And we're -- we see opportunities -- so for continued organic growth in their primary market material handling, particularly looking to perhaps get productive capacity in place in China, where lots of our large customers also produce product. So that's an opportunity that we think we could help them with. And then we're also very active in looking at add-on acquisitions that would help build out our footprint and our capabilities. As I mentioned, we're -- that PHC is strongly focused on material handling side. We think there is opportunities in the adjacent markets around construction application. So we're participate in PHC today that where we could get a stronger position. So still feel a couple of months and we feel very good about that acquisition.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

That's helpful. And switching gears. The Quantum Edge, the 35% today of Comfort Core units going to 40% potentially. Where do you see that going longer term?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Daniel, that's a good question. I, at one time, didn't think we'd ever see 40%. So you're probably asking the wrong guy. But I believe that within the next year, we could see 40 -- mid 40s, somewhere in that range. That may be a little optimistic. I'm not totally sure. Longer-term, it just makes so much sense from a lot of different perspectives for our customers. It's a simplified product to build. It requires them to keep fewer SKUs and less working capital in their plants when they have to deal with all the foam components for foam encasement. So -- and the economics of it, from a holistic standpoint, are good for our customers. So I think we'll continue to see that build right on through this year. And from there, I don't know if we'll ever get in the upper 40s or not. Karl probably has an opinion of his own there, but I think mid-40s is attainable.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

Got it. That's helpful. Last one for me. Capital allocation, obviously, remain committed to being very balanced. In terms of your TSR, given the longer-term track record of outperforming the S&P, it seemed to me based on where the stock is, as good an investment and strong return would be being -- maybe a little bit more aggressive than pulling that lever on share repurchases. Any thoughts there?

Matthew C. Flanigan - *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Yes, Daniel. This is Matt. As you know, we bought 1.2 million in the first quarter. And we mentioned in the release yesterday that we expect to buy between 2 million and 3 million during the rest of this year. Certainly, defer to Karl to talk about what the M&A pipeline is looking like. As you know, that's part of our priorities for cash. Mitch just referenced that too with PHC-related opportunities that might appear in the not too distant future. We don't quite know. And we're certainly mindful of where the equity is trading. We don't live in a vacuum. But right now, what we put in the press release is certainly our expectation that during the year, we'll buy between 2 million and 3 million shares and do it prudently.

Operator

Our next question comes from the line of Peter Keith with Piper Jaffray.

Peter Jacob Keith - *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Maybe just another question for Matt. The cash flow was taken down by about 10%. And I noticed some puts and takes on margin and sales. But could you give us a little more detail on what caused that overall reduction?

Matthew C. Flanigan - *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Yes, Peter, good question. Really, it's largely working capital investment story. We had a bit more working capital invested in the first quarter tied to the sales growth, but certainly kind of an inflation relationship to that as well. And really, that is the most difficult part of our cash flow profile to predict as you know. So we just thought it made sense as we have this inflation phenomenon roll into the second quarter that we might anticipate the normal working capital cycle and investment for us to reflect a better estimate for full year operating cash at $450 million versus $500 million. But I will tell you that at the end of the year, we were trading about 11% working capital investment, all things considered, all pieces of the puzzle. In the first quarter, that moved up to 12%. And certainly, we're all dedicated to bringing that back in 11% neighborhood. And if so, we'll do better than $450 million. But as a working assumption, we thought that was the better estimate at this point in time for the full year.

Peter Jacob Keith - *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Okay. That is helpful. My second question would just be on the topic of Mattress Firm. So just from some of our industry conversations, there are other suppliers to Mattress Firm that seem increasingly nervous about their cash situation. And I was wondering if you could provide an update on the status of that relationship. If you've been having the tightened terms? Or could you have credit insurance in place on that receivable? Any update on the Mattress Firm right now would be helpful.

Matthew C. Flanigan - *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Peter, this is Matt again. Certainly, customers we've enjoyed for a long, long time. We are very aware of their situation. We don't comment specifically, as you would imagine, relative to whether we have credit insurance related to that account or other considerations. But I'll just tell you, we are very supportive of what they're trying to make happen as they compete in the space -- spaces that they are in. And we're also well aware of their credit profile and have excellent conversations and interaction with them and monitor our payment trends, their payment practices. And we feel we're certainly well positioned where we should be all things considered with that relationship.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

And Peter, the only thing that I would add is, obviously, we have a lot of conversation with their other suppliers. We know of Mattress Firm being nothing but current with every one of their vendors. So current today doesn't mean that you're current tomorrow. But they have absolutely paid every one of their invoices on time and taken every available discount. And we believe that is not a Leggett-only phenomenon.

Operator

Our next question comes from the line of Spencer Joyce with Hilliard Lyons.

Spencer Everett Joyce - *Hilliard Lyons, Research Division - VP and Analyst for Industrials, Natural Gas & Water Utilities*

Many of my things have been addressed. So I'll try to be fairly pointed here. Ford announced just this week they are discontinuing some of their sedans. And I was wondering if there was any potential direct impact for you alls contracts. And maybe it's too small to matter. But do you sell-through to them? Or perhaps is there a benefit from some of the companies you do work with if your components aren't in those Ford cars? But any clarity there would be nice.

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Okay. Spencer, this is Mitch. Yes, I think that's a great question. I think that, that announcement just sort of echoes what's been happening in the industry anyway, not only in North America but around the world as we see -- as we've seen smaller car production declining in, especially North America, but crossovers and SUVs and trucks accelerating. So we would be well represented in all of those product categories across all major OEMs. So we might lose a little bit on the car side, but we're going to gain as much or more on the shift to truck and SUV production, where those larger vehicles just have more content. So that's been a positive influence for us in recent history and we think it will continue to be one going forward. For sure, we might have a bit of interruption or disruption as some of those vehicles change, but I'm not sure at this point how that will take place. I think that is, may be a letting current programs run out and then -- rather than doing significant investments in refreshing those platforms. So I don't think we see a sudden stop of production there. But either way, we'll benefit, we believe, more from that shift to the larger platforms.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

And Spencer, to pile on a little bit. You probably would have also seen that GM announced earlier this week that they're going to have a third shift in their facility in Spring Hill, Tennessee that produces SUVs, both Cadillac and the GM nameplate. So it just augments what Mitch is saying that vehicles are getting bigger, more content, good for us.

Spencer Everett Joyce - *Hilliard Lyons, Research Division - VP and Analyst for Industrials, Natural Gas & Water Utilities*

That's helpful. Perhaps one for Matt here. Previous call, we talked about working capital a little bit. But specifically, accounts receivable were higher than I expected kind of exiting the first quarter and I think, perhaps, above what might have been implied historically. Can you discuss maybe 1 or 2 specific drivers of accounts receivable -- excuse me accounts receivable this quarter.

Matthew C. Flanigan - *Leggett & Platt, Incorporated - Executive VP, CFO & Director*

Yes, Spencer, good question. There really isn't a call-out phenomenon on either our receivables, DSO particularly. And if you slide above DIO, or days of inventory, and even our payables activity, those are the 3 key pieces of working capital. They, all 3, were a bit up compared to what we've seen at the end of the year. And again, there's an inflation element to that on all 3 of the pieces. But at the end of the day, we really don't believe there's any payment trends or activities that are flashing red signals right now relative to that. But certainly at 12% investment and working capital, 1% higher than at 11%, you see more cash being used to facilitate that. But I really do believe, and all of us around the table believe, there should be kind of a natural unwinding of that as we get more to a stable price environment as we go through the rest of the year, and the ongoing heavy focus on DSO and collection efforts and inventory management and certainly, making sure we're optimizing our payables activity as well. So I don't really have a very specific 2 or 3 things to point to that you should try to model or anticipate. Just know that you should hold us accountable to working capital investment that's closer to 11%. Then it is a 12% as we enter in the first quarter.

Spencer Everett Joyce - *Hilliard Lyons, Research Division - VP and Analyst for Industrials, Natural Gas & Water Utilities*

That's helpful. And final one from me here. Should we expect any special charges for some of the shifts to China that you all referenced a couple of times on the call? Or would that perhaps be a CapEx line versus an operating line? Or even if it's operating, is it something we should think about looking for? Or will those be indiscernible?

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

This is Mitch, again. Yes, I don't think that it's anything material at this point. We're looking at everything. We're looking at personnel, we're looking at facilities. So we may have some capital investment. We may have some consolidation though I don't know what those are. And it probably be smaller facilities, if we did anything. So I don't think from a whole company perspective, we see anything that would be material. Again, don't have any specific plans at this point. Still doing the analysis. But a good part of that shift is we already have capacity in place in China. We can make that happen with maybe a little bit of tooling and maybe a little bit of inventory investment but not significant capital.

Operator

(Operator Instructions) Our next question comes from the line of John Baugh with Stifel.

John Allen Baugh - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

And congrats, Dave DeSonier, on your instrumental role in establishing Leggett as one of the best IR teams that I know of in corporate America. Congratulations.

David M. DeSonier - *Leggett & Platt, Incorporated - SVP of Strategy & IR*

It's pretty easy. All I have to do is hire Susan.

John Allen Baugh - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Most of my questions have been asked. But I did want to touch on 2 things just to make sure. Steinhoff International bedding was a little soft. You called that out. You're bullish on the year. Have you seen anything in your Steinhoff business around the globe that's weakening, Karl, or no, that's all pretty much on track?

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

No. We really haven't. We have exposure to them in bedding and furniture. From an operating perspective, I think that they continue to just kind of progress. Their issues are more back office, corporate banking from a future basis. But -- Perry, one we haven't seen?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Primarily in the U.K. and Europe, very little. No disruption basically. We've seen things run kind of business as usual there. We don't -- they do have some holdings in Australia, obviously, and some retail assets in Australia. Not sure what their future plans are with that. But we haven't seen any disruption.

John Allen Baugh - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay, great. And then not to beat the dead horse on auto. I don't cover auto. So -- and obviously, quarters can be lumpy. I think the last 3 quarters were in the 7% to 8% year-over-year. And I know that Q1 last year was a really tough compare. But I guess my question, Mitch, is when we look at a forecast for '18, '19 and '20 in auto build, I don't even know what that is. So maybe you could share that view. And then your comments on the 1,000 basis points where you commented around $300 million program wins. I have no sense of what's rolling off. I guess without getting to quarters projections, maybe give some color around how we get comfort that we're going to still see that roughly 1,000 basis points in the future.

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Okay. Great, John. So for sure, if you look at '18 versus '17 or what happened in '17, started off in the first half of the year really strong and then started to slide a little bit in the second quarter and then significantly in the third and fourth quarter, particularly in North America. And so that does, as you mentioned, create some pretty tough comps for us in Q1 and Q2, we think it gets better in Q3 and Q4. If you look at the long-term forecast, so call it at '17 to 2021 kind of outlook, you would see for the major markets CAGR of a little over 1%, call it 1.4%, 1.5%. And for the global market, a little bit stronger, maybe around 2%. The distinction for maybe major markets North America, Europe, China, Japan, South Korea, much larger volume, much higher content. You have faster growth in the developing markets on a lower unit volume base and also lower content. So we eventually benefit from that growth in the developing markets, but for sure, the major markets have a bigger impact for us. So we go from -- really while there's significant disruption in North America last year, we looked at the major markets, unit volumes was up around 1%. We see it for '18 in the forecast and we look at IHS production forecast is up a little bit from 1.2% to 1.4%. And that's kind of the trend going forward. So when we talk about 1,000 basis points above the market, we're looking at something like 11% to 12% on average over the long term. And so you're right to mention that we look at our program wins. And at the same time, we have programs falling off. Our rate of wins significantly exceeds the rate of programs falling off. But that's what drives our confidence to make this kind of prediction. And remember that we have good long-term visibility. So when we win an award, production generally starts about 2 years after the win, plus or minus depends on the program. And then the programs typically last around 6 years. So you think about it as the series of curves that sort of build up and we have good visibility of what's coming off of those occasionally some surprises and what's coming on. And that's been our how we looked and how we've run the business for the last several years. And I think our track record shows that we've been able to deliver this.

John Allen Baugh - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Great. My last question was getting specifics of margin levels. I'm just interested in whether there is any delta, going forward, in both the Automotive and Aerospace margin profile? I know in Aerospace, we had a little bit of softness there at one point. What is the margin profile in both of those segments going forward, status quo?

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

I would say pretty close to status quo. We may have ups or downs quarter-to-quarter depending on program mix. But at this point, I think the margins -- I'm thinking about Automotive right now, pretty similar across the major product categories. There are some though that are going to pick up steam where we are doing sort of more complex assemblies. I'm thinking about the Ford row seat that we mentioned before where there is more pass-through content. So that would have a little bit of margin. But overall, that's not a significant impact on the business. So yes, I think we're pretty comfortable that we'll stay close to where we are. In aerospace, we have seen some margin decline in the last couple of years, really, coming off of our straight tube business where they were really sort of out of the market high, and we've been moving to capture more volume and get those -- get our pricing more reasonable in some cases. So -- but we think that most of that has happened. And we continue to grow of the fabrication side of that business. So all in all, I think that our margin profile there looks pretty steady as well. And if I look at our outlook for the rest of the year, that's what I see there as well.

John Allen Baugh - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

And so Mitch, just to be clear. I think there was reference in your slide deck to growth impacting auto margin. Is that -- was that what you were referring to as a complexity? In other words, I guess, the question is simply, as you look at the products you're winning and the margin profile, they look similar but there are may be some tooling up in CapEx that you're having to do because volumes there over time are so good. Is that the right way to think about it?

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Yes. That's exactly right, John. When I answered the first part, I was thinking about sort of long-term budget on those products. But there is sometimes, some sort of lumpy investments in both capital and overhead that's required to support those. Again, we win the program. We have this time before it ramps up, but we're making those investments both in the productive capacity but also in sometimes overhead to manage those programs. So we get occasionally when we have significant new technologies or new program starting up where we get a little bit of lumpiness in that profitability. And that's exactly what we're talking about there.

Operator

Our next question comes from Herbert Hardt with Monness, Crespi and Hardt.

Herbert Arthur Hardt - *Monness, Crespi, Hardt & Co., Inc., Research Division - Director of Research*

My question is -- well, there's 2 of them. One is, given the strength in housing, would you expect Home Furniture, other parts of residential to pick up a bit later in the year or into next year? And can you give us little more detail on aerospace? We have been pretty successful in making acquisitions and it's kind of become a footnote in the last 1 or 2 quarters.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Yes. I'll take the first and dump the last on Mitch. I'll take the easy one. Yes, housing, the strength in housing usually has a bit of a lag. So historically -- and it moves through the home. So when housing fix up, we generally see it geo, carpet or flooring products earliest. And then it moves through the house, generally from front to back. So you'll see some strength in home furniture, in front room, and then you'll see bedding strength as well. So housing and housing moves, housing -- household formations are generally very good for our business but it is not instantaneous. On aerospace? Go ahead.

J. Mitchell Dolloff - *Leggett & Platt, Incorporated - Executive VP and President of Specialized Products & Furniture Products*

Okay, Herb. This is Mitch. On aerospace, not a footnote to us. We are very actively engaged there. And it's still not that big of a part of our business at $140 million to $150 million of sales that's why I think you don't hear more about it on these calls. But we spend a lot of time working on it. We still are committed to it as a growth platform. We see good things happening both from an organic standpoint where we are winning programs on some of the new aircraft and engine center coming up. So we feel positive about that. We are also very active in add-on acquisitions. We haven't been able to bring one to finalization, but we've been really active in looking at opportunities and continue to do so. So we'll get one to bring home, hopefully, in the not-too-distant future. We keep swinging the bat.

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

And to pile on, we are really comfortable with the quality of our management team there. They have capacity to do more and manage more. It's a complex business. So to Mitch's point, we just need to make the business more self-assertive.

Operator

Our final question comes from Justin Bergner with Gabelli & Company.

Justin Laurence Bergner - *G. Research, LLC - VP*

My first question is, in regards to your range, I mean, the EPS range is pretty wide still. And I'm trying to figure out. Is that range mainly because of the raw material pass-through? Or is that more because of the volume? And if the latter, maybe could you frame sort of what volume corresponds to the low end of the range and what volume corresponds to the high end of the range?

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

Justin, I think it's a little bit of both. But we'll routinely have still a pretty wide range coming out of the first quarter just because so much of the year is yet to unfold and we want to try to create opportunities as best as we can see them for cover on kind of upside and downside. Usually -- and it is this time predominantly volume related. But we recognize some extra, of course, volatility around commodity costs and what those are doing. As I think of that points in range, high end to low end, it is more a factor of the volume side, something in the -- we say mid-single digits. You might think of that as 4% or 5% growth, terrifically good would be 6%. We'll see how the year comes together. And then the earnings leverage attributable with the flow through value or benefit from incremental volume to our EBIT and then ultimately our EPS is, the bulk of that with that the range is explained accordingly.

Justin Laurence Bergner - *G. Research, LLC - VP*

Okay. So with 6% volume corresponded to the high end of the range? Or above the high end of the range?

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

No, no. I'd say something in the 5% to 6% range. We say mid-single digits, but you can interpret that as using that 4%, 5%, 6% that something in that I would think 5% and change, maybe a little over 5% would be a reasonable place to think about the higher end and may be in the full ballpark of the lower end.

Justin Laurence Bergner - *G. Research, LLC - VP*

Okay, that's really helpful. And then just very quickly on Comfort Core. The stats you are giving about 7% growth, was that specific to April month-to-date?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Justin, that's a good question. We came out of the shoot year with first -- in January with basically no growth. Pretty depressed environment overall. So when you think of Comfort Core being up 8% year-on-year, that tells you the accelerated pace that we saw in February and March. So running well above 8%. So to end the quarter at 8% given the start we had, it's strong.

Justin Laurence Bergner - *G. Research, LLC - VP*

Okay, great. I think my numbers were a little bit disjoined there. But -- and then is Comfort Core then above 40% of your unit shipments now, given I think that was what you said last quarter?

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Well, it's -- it from a pieces perspective, it's about 35%. Obviously, they represent ...

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

--

Total U.S. pieces Comfort Core is right at 40%.

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

At 40%, yes, yes in terms of ...

Karl G. Glassman - *Leggett & Platt, Incorporated - CEO, President & Director*

Quantum Edge with Comfort Core.

Perry E. Davis - *Leggett & Platt, Incorporated - Executive VP and President of Residential Products & Industrial products*

Right. I've got it confused Quantum Edge was kind of 40%. It's 35% of Comfort Core and that represents obviously the higher revenue or dollar volume because those are value-add products for us.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Ms. McCoy for any closing remarks.

Susan R. McCoy - *Leggett & Platt, Incorporated - VP of IR*

Okay. Well, thanks for joining us today, and we'll talk to you next quarter.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.