

Fourth Quarter Summary Financial Information

February 4, 2019



Leggett & Platt®

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Overview

4th Quarter:

- ❑ Adj. EPS¹ from cont. ops. of \$.62, up 5% vs. \$.59 in Q4-17
- ❑ Sales up 6%, to \$1.05 billion
 - Volume was flat
- ❑ Adj. EBIT¹ margin of 11.5% vs. 11.4% in Q4-17
- ❑ Adj. EBIT¹ of \$120 million, up 7% vs. Q4-17

Full Year:

- ❑ Adj. EPS¹ from cont. ops. of \$2.48, up 1% vs. 2017
- ❑ Sales from cont. ops. of \$4.27 billion, up 8% vs. 2017
 - Volume added 3%
- ❑ Adj. EBIT¹ margin down 80 bps, to 11.1%, vs. 11.9% in 2017
- ❑ Full-year cash from operations was \$440 million.
- ❑ 2019 Adj. EPS² guidance of \$2.45–\$2.65 on sales of \$4.95–\$5.1 billion

¹ See slides 4 and 10 for calculation of adjusted EPS and adjusted EBIT margin.

² See slide 13 for additional details on adjusted EPS.

3

Q4 2018 Financial Highlights

<u>\$'s in millions (except EPS)</u>	<u>Reported Q4-18</u>	<u>Adj¹</u>	<u>Adj Q4-18</u>	<u>Reported Q4-17</u>	<u>Adj¹</u>	<u>Adj Q4-17</u>	<u>Change</u>
Sales	\$1,047		\$1,047	\$984		\$984	6%
EBIT	84	36	120	120	(8)	112	7%
EBIT Margin	8.0%		11.5%	12.2%		11.4%	10 bps
EPS (cont. ops)	.39	.23	.62	.27	.32	.59	5%
Cash from Operations	\$189		\$189	\$182		\$182	4%
EBITDA	119	36	155	152	(8)	144	8%

¹ See slide 26 for non-GAAP adjustments.

4

Q4 2018 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2017	\$984	
Divestitures	—	—%
Adjusted Q4-17 sales	984	
Approx volume growth	2	—%
Approx raw material-related pricing and currency impact	<u>32</u>	<u>3%</u>
Organic sales	34	3%
Acquisitions	<u>29</u>	<u>3%</u>
4 th Qtr 2018	\$1,047	6%
EBIT:		<u>margin</u>
Adjusted 4 th Qtr 2017 ¹	\$112	11.4%
Other: primarily improved margins in Steel Rod	<u>8</u>	
Adjusted 4 th Qtr 2018 ¹	\$120	11.5%

¹ See slide 4 for calculation of adjusted EBIT and adjusted EBIT margin.

5

Q4 2018 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	Q4-18	Adj ¹	Q4-18	Q4-17	Adj ¹	Q4-17	
EBIT	\$84	\$36	\$120	\$120	\$(8)	\$112	7%
Net interest	16	(3)	13	10		10	
Pre-tax earnings	68	39	107	110	(8)	102	5%
Income taxes	15	8	23	74	(51)	23	
<i>Tax rate</i>			21%			23%	
Earnings from cont. ops	53	32	85	36	43	79	7%
Earnings from disc. ops	—		—	—		—	
Net earnings	53	32	85	36	43	79	7%
Non-controlling interests	—		—	—		—	
Net earnings attributable to L&P	53	32	85	36	43	79	7%
EPS	.39	.23	.62	.27	.32	.59	5%

¹ See slide 26 for non-GAAP adjustments.

6

Adjusted Working Capital

	12/31	9/30	12/31
\$'s in millions	<u>2018</u>	<u>2018</u>	<u>2017</u>
Cash & equivalents	\$268	\$364	\$526
Accounts receivable, net	572	626	595
Inventories, net	634	634	571
Other current assets	<u>51</u>	<u>44</u>	<u>74</u>
Total current assets	<u>1,525</u>	<u>1,667</u>	<u>1,767</u>
Current debt maturities	(1)	(4)	(154)
Accounts payable	(465)	(429)	(430)
Accrued and other current liabilities	<u>(349)</u>	<u>(353)</u>	<u>(392)</u>
Total current liabilities	<u>(816)</u>	<u>(785)</u>	<u>(976)</u>
Working capital	709	882	791
% of annualized sales ¹	16.9%	20.2%	20.1%
W/C, excluding cash & current debt	442	522	419
% of annualized sales ¹	10.6%	12.0%	10.6%
Shares outstanding (end of period)	130.5m	130.4m	131.9m

¹ Annualized sales: 4Q18: \$1,047x4=\$4,188; 3Q18: \$1,092x4=\$4,368; 4Q17: \$984x4=\$3,936

7

Debt

	12/31	9/30	12/31
\$'s in millions	<u>2018</u>	<u>2018</u>	<u>2017</u>
Long-term debt	\$1,168	\$1,353	\$1,098
Current maturities	<u>1</u>	<u>4</u>	<u>154</u>
Total debt	1,169	1,357	1,252
EBIT, trailing 12 months	437	473	468
Depreciation & amortization	<u>136</u>	<u>133</u>	<u>126</u>
EBITDA	573	606	594
Non-GAAP adjustments (pre-tax) ¹	<u>36</u>	<u>(8)</u>	<u>(0)</u>
Adjusted EBITDA, trailing 12 months	609	598	594
Total debt to adjusted 12-month EBITDA	1.9x	2.3x	2.1x

¹ See slide 26 for non-GAAP adjustments.

8

Cash Flow

\$'s in millions	4th Qtr		YTD	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net earnings	\$53	\$36	\$306	\$293
D&A	35	32	136	126
Impairment, write-offs & other	25	3	32	11
Other non-cash	—	73	12	95
Changes in working capital:				
Accounts receivable	50	39	(26)	(41)
Inventory	(9)	(8)	(54)	(48)
Other current assets	(3)	(25)	(2)	(37)
Accounts payable	37	44	36	59
Other current liabilities	<u>—</u>	<u>(12)</u>	<u>—</u>	<u>(14)</u>
Cash from operations	189	182	440	444
Capital expenditures	37	40	160	159
Acquisitions	1	—	109	39
Dividends	50	48	194	186
Share repurchases (issuances), net	—	—	108	155
Proceeds from asset sales	1	33	5	45
Additions (repayments) of debt, net	(185)	53	(86)	282

9

YTD 2018 Financial Summary

<u>\$'s in millions (except EPS)</u>	<u>Reported</u> <u>2018</u>	<u>Adj</u> ¹	<u>Adj</u> <u>2018</u>	<u>Reported</u> <u>2017</u>	<u>Adj</u> ¹	<u>Adj</u> <u>2017</u>	<u>Change</u>
Sales	\$4,270		\$4,270	\$3,944		\$3,944	8%
EBIT	437	36	473	468	—	468	1%
EBIT Margin	10.2%		11.1%	11.9%		11.9%	(80 bps)
EPS (cont. ops)	2.26	.22	2.48	2.14	.32	2.46	1%
Cash from Operations	\$440		\$440	\$444		\$444	(1%)
EBITDA	573	36	609	594	—	594	3%

¹ See slide 26 for non-GAAP adjustments.

10

YTD 2018 Sales & EBIT Bridge

Sales:	<u>mIn \$'s</u>	<u>% change</u>
YTD 2017	\$3,944	
Divestitures	<u>(25)</u>	(1%)
Adjusted 2017 sales	3,919	
Approx volume growth	99	3%
Approx raw material-related pricing and currency impact	<u>145</u>	<u>3%</u>
Organic sales	244	6%
Acquisitions	<u>107</u>	<u>3%</u>
YTD 2018	\$4,270	8%
EBIT:		<u>margin</u>
Adjusted YTD 2017 ¹	\$468	11.9%
Other: primarily improved margins in Steel Rod and volume growth partially offset by higher steel costs (including LIFO expense)	<u>5</u>	
Adjusted YTD 2018 ¹	\$473	11.1%

¹ See slide 10 for calculation of adjusted EBIT and adjusted EBIT margin.

11

YTD 2018 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	2018	Adj ¹	2018	2017	Adj ¹	2017	
EBIT	\$437	\$36	\$473	\$468	—	\$468	1%
Net interest	53	(3)	50	36		36	
Pre-tax earnings	384	39	423	432		432	(2%)
Income taxes	78	9	88	138	(42)	96	
<i>Tax rate</i>			21%			22%	
Earnings from cont. ops	306	30	336	294	42	336	—%
Earnings from disc. ops	—		—	(1)		(1)	
Net earnings	306	30	336	293	42	335	—%
Non-controlling interests	—		—	—		—	
Net earnings attributable to L&P	306	30	336	293	42	335	—%
EPS	2.26	.22	2.48	2.14	.32	2.46	1%

¹ See slide 26 for non-GAAP adjustments.

12

2019 Guidance

- ❑ Adjusted EPS of \$2.45–\$2.65
 - Excludes expected restructuring-related charges of \$.10
- ❑ Sales of \$4.95–\$5.1 billion
 - 16-19% growth versus 2018
 - ECS acquisition should add ~\$675 million to sales
 - Same location sales growth (excludes ECS) is expected to be flat to +3%
- ❑ Implied adjusted EBIT margin of 10.8%–11.2%
- ❑ Operating cash is expected to approximate \$550 million
- ❑ Cap-ex of ~\$195 million
- ❑ Tax rate of ~24%
- ❑ Diluted shares of ~136 million

13

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14

Segments

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Q4 2018 Segment Summary

	Q4-18 Organic Sales Growth ¹	Q4-18 Adj. EBIT Margin ²	Δ vs Adj. Q4-17 ²
Residential Products	5%	8.3%	-190bps
Industrial Products	22%	12.5%	+960bps
Furniture Products	(1%)	6.0%	+20bps
Specialized Products	—%	18.3%	-320bps
Total Consolidated	3%	11.5%	+10bps

¹ Includes raw material-related selling price increases and currency impact.

² See slides 17, 21, 23 and 26 for non-GAAP adjustments.

Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2017	\$400	
Acquisitions	5	1%
Organic sales ¹	<u>20</u>	<u>5%</u>
4 th Qtr 2018	\$425	6%

¹ Raw material-related selling price increases (6%) offset by currency impact (-1%).

EBIT:		<u>margin</u>
4 th Qtr 2017	\$41	10.2%
Other: primarily lower sales volume and growth-related costs	<u>(6)</u>	
Adjusted 4 th Qtr 2018 ²	\$35	8.3%

² Adjusted to exclude note impairment (\$16m), ECS transaction costs (\$4m) and restructuring-related charges (\$1m).

17

Residential – Key Points

- ❑ Q4 organic sales were up 5%:
 - Volume was flat, with growth in U.S. Spring offset primarily by lower sales in Flooring Products
 - Raw material-related selling price increases added 6% offset slightly by currency impact 1%
- ❑ Organic sales trends excluding inflation and currency:
 - U.S. Spring component \$'s were up 6% in Q4; up 4% full year
 - Total innerspring units: down 3% in Q4; down 1% full year
 - Boxspring units: down 30% in Q4; down 22% full year
 - Comfort Core innerspring units: up 23% in Q4; up 19% full year
 - Growth from both content gains and market share gains with traditional and direct-to-consumer customers
 - International Spring \$'s were essentially flat in Q4; up 3% full year
- ❑ Adjusted Q4 EBIT and EBIT margin decreased, primarily from lower sales volume in certain businesses and growth-related costs in U.S. Spring.

18

Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2017	\$136	
Organic sales ¹	<u>30</u>	<u>22%</u>
4 th Qtr 2018	\$166	22%

¹ Steel related price increases (24%) partially offset by volume (-2%).

EBIT:		<u>margin</u>
4 th Qtr 2017	\$4	2.9%
Other: primarily from improved metal margins at our steel rod mill	<u>17</u>	
4 th Qtr 2018	\$21	12.5%

19

Industrial – Key Points

- ❑ Q4 organic sales were up 22% from steel related price increases partially offset by volume declines.
- ❑ Q4 EBIT and EBIT margin increased, primarily from improved metal margins at our steel rod mill.

20

Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2017	\$283	
Organic sales ¹	<u>(4)</u>	<u>(1%)</u>
4 th Qtr 2018	\$279	(1%)

¹ Raw material-related selling price increases (2%) more than offset by volume (-2%) and currency impact (-1%).

EBIT:		<u>margin</u>
4 th Qtr 2017	\$16	5.8%
	<u>—</u>	
Adjusted 4 th Qtr 2018 ²	\$16	6.0%

² Adjusted to exclude restructuring-related charges (\$15m).

21

Furniture – Key Points

- ❑ Q4 organic sales were down 1%
 - Volume decreased 2% from growth in Adjustable Bed and Work Furniture more than offset by declines in Home Furniture and Fashion Bed.
 - Raw material-related selling price increases, partially offset by currency impact, increased sales 1%
- ❑ Organic sales trends excluding inflation and currency:
 - Adjustable Bed: up 5% in Q4; up 24% full year
 - Work Furniture: up 5% in Q4; up 5% full year
 - Home Furniture: down 7% in Q4; down 9% full year
 - Fashion Bed: down 15% in Q4; down 11% full year

22

Specialized Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2017	\$236	
Acquisitions	24	10%
Organic sales ¹	<u>—</u>	<u>—%</u>
4 th Qtr 2018	\$260	10%

¹ Volume (3%) offset by currency impact (-3%).

EBIT:		<u>margin</u>
Adjusted 4 th Qtr 2017 ²	\$51	21.5%
	<u>(4)</u>	
4 th Qtr 2018	\$47	18.3%

² Adjusted to exclude gain from sale of real estate (\$23m).

23

Specialized – Key Points

- ❑ Q4 organic sales were flat, from volume growth in Aerospace and Automotive offset by currency impact.
- ❑ Organic sales trends excluding currency:
 - Automotive: up 1% in Q4; up 6% full year
 - Aerospace: up 17% in Q4; up 8% full year
- ❑ PHC acquisition completed in Q1 added 10% to sales growth in Q4.
- ❑ Q4 EBIT decreased \$4 million vs. adjusted Q4-17 EBIT.

24

Webcast replay is available
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FOR ADDITIONAL INFORMATION

ticker: LEG (NYSE)
website: www.leggett.com
email: invest@leggett.com
phone: (417) 358-8131

Find our Fact Book at www.leggett.com.

Susan McCoy
Wendy Watson
Cassie Branscum

VP, Investor Relations
Director, Investor Relations
Manager, Investor Relations

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Non-GAAP Adjustments

(\$ millions, except EPS)	Q4-18	Q4-17	YTD 2018	YTD 2017
<u>Non-GAAP Adjustments (\$'s)</u> ¹				
Restructuring-related charges	16	—	16	—
Note impairment	16	—	16	—
ECS transaction costs ²	7	—	7	—
Gain from sale of real estate	—	(23)	—	(23)
Pension settlement charge	—	15	—	15
Loss from sale of business	—	—	—	3
Impairment charges	—	—	—	5
Non-GAAP adjustments (pre-tax \$'s)	39	(8)	39	—
Income tax impact	(7)	3	(7)	—
TCJA impact ³	—	50	(2)	50
Tax benefit from CVP divestiture	—	(2)	—	(8)
Non-GAAP adjustments (after tax \$'s)	32	43	30	42
Diluted shares outstanding	134.7	136.6	135.2	137.3
EPS impact of non-GAAP adjustments	\$.23	\$.32	\$.22	\$.32

¹ Calculations impacted by rounding

² ECS transaction costs comprised of \$4m SG&A charges and \$3m of financing-related charges in interest expense.

³ The Tax Cuts and Jobs Act enacted in December 2017.

Reconciliation of Full Year Adj EBIT & Adj EBIT Margin

<i>(\$ millions)</i> ¹	Residential	Industrial	Furniture	Specialized
2017 EBIT	\$184	\$21	\$82	\$196
Impairment charges	—	5	—	—
Loss on sale of business	—	—	—	3
Gain on sale of real estate	—	—	—	(23)
2017 Adjusted EBIT	\$184	\$26	\$82	\$176
2018 EBIT	\$133	\$68	\$50	\$189
Restructuring-related charges	1	—	15	—
Note impairment	16	—	—	—
ECS transaction costs	4	—	—	—
2018 Adjusted EBIT	\$153	\$68	\$65	\$189
2017 Total Sales	\$1,639	\$546	\$1,113	\$943
2018 Total Sales	\$1,721	\$662	\$1,156	\$1,059
2017 EBIT Margin	11.2%	3.8%	7.3%	20.8%
2017 Adjusted EBIT Margin	11.2%	4.8%	7.3%	18.7%
2018 EBIT Margin	7.7%	10.3%	4.3%	17.8%
2018 Adjusted EBIT Margin	8.9%	10.3%	5.6%	17.8%

¹ Calculations impacted by rounding.