S&P Global
Market Intelligence

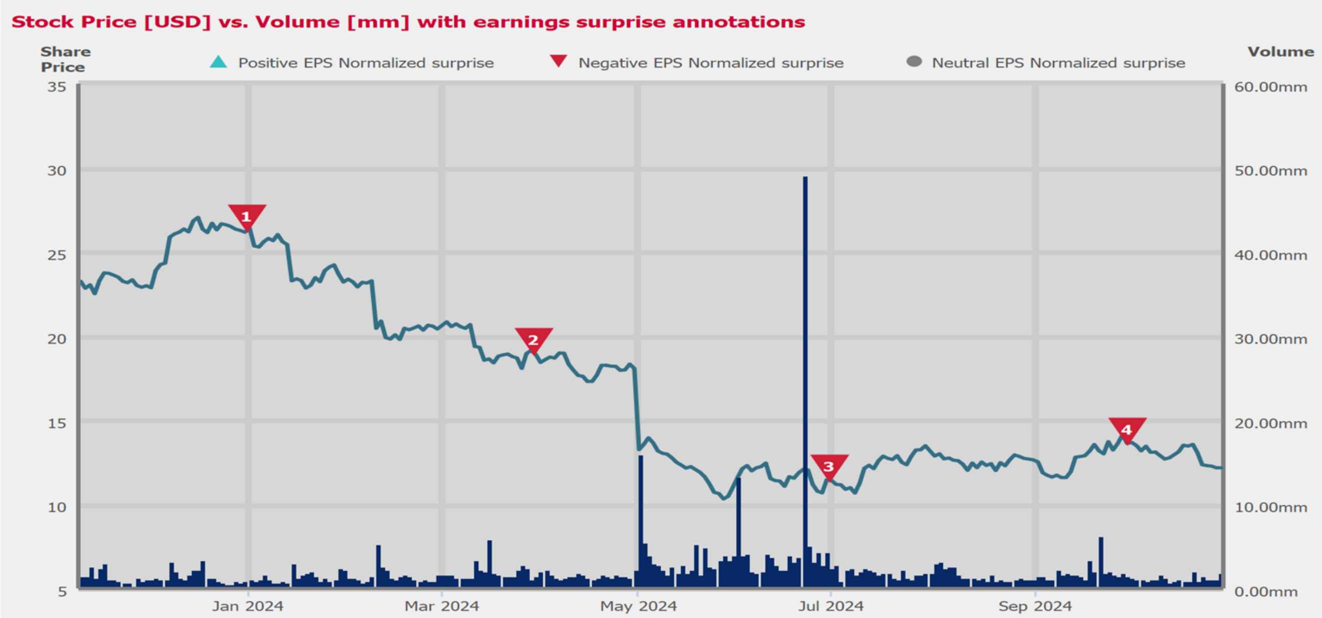
Leggett & Platt, Incorporated NYSE:LEG
FQ3 2024 Earnings Call Transcripts

Tuesday, October 29, 2024 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.33	0.32	(3.03 %)	0.29	1.14	NA
Revenue (mm)	1103.82	1101.70	(0.19 %)	1070.22	4383.60	NA

Currency: USD
Consensus as of Oct-29-2024 11:26 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2023	0.27	0.26	1 (3.70 %)
FQ1 2024	0.24	0.23	2 (4.17 %)
FQ2 2024	0.30	0.29	3 (3.33 %)
FQ3 2024	0.33	0.32	4 (3.03 %)

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Call Participants

EXECUTIVES

Benjamin M. Burns
Executive VP & CFO

Cassie J. Branscum
Vice President of Investor Relations

J. Tyson Hagale
Executive VP & President of Bedding Products

Karl G. Glassman
President, CEO & Chairman

R. Samuel Smith
Executive VP and President of the Furniture, Flooring & Textile Products

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Truist Securities, Inc., Research Division

Peter Jacob Keith
Piper Sandler & Co., Research Division

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Presentation

Operator

Greetings, and welcome to the Leggett & Platt Third Quarter 2024 Webcast and Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce Cassie Branscum, Vice President of Investor Relations. Thank you. You may begin.

Cassie J. Branscum
Vice President of Investor Relations

Good morning, and welcome to Leggett & Platt's Third Quarter 2024 Earnings Call. With me on the call today are Karl Glassman, CEO; Ben Burns, CFO; Tyson Hagale, President of the Bedding Products segment; Sam Smith, President of the Furniture, Flooring and Textile Products segment; and Kolina Talbert, Manager of Investor Relations. The agenda for our call this morning is as follows: Karl will discuss current demand trends and provide an update on the restructuring plan and other ongoing initiatives; Ben will cover our operating results and additional financial details and address our revised 2024 outlook; and the group will answer any questions 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 will be available on the Investor Relations section of our website. We posted to the IR section of our website yesterday's press release and a set of slides that contain summary financial information, along with segment details and a restructuring update. Those documents supplement the information we discuss on this call, including non-GAAP reconciliations. 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 these risk factors and additional information, please refer to yesterday's press release and the sections in our most recent 10-K and subsequent 10-Q entitled Risk Factors and Forward-Looking Statements. I'll now turn the call over to Karl.

Karl G. Glassman
President, CEO & Chairman

Good morning, and thank you for joining our call today. As we begin, I want to thank our employees for their continued hard work and dedication as we navigate a challenging macro backdrop. Our third quarter sales and earnings were below our expectations, largely due to weaker-than-anticipated demand in residential end markets and headwinds in Automotive, Hydraulic Cylinders and Geo Components. Sluggish demand in these businesses is expected to persist through the fourth quarter and is expected to be more impactful than previously anticipated. As a result, we are reducing full year sales and earnings guidance, which Ben will detail later in the call.

Now I'd like to highlight a few of the current demand dynamics in our key end markets. The U.S. Bedding market continues to experience negative volume comps. Although some improvement in demand has been observed during holiday sales, in between periods have been softer. We estimate that U.S. mattress consumption was approximately flat in the third quarter, but domestic production was likely down high single digits. Given a more challenging macro environment and softening in consumer spending, we expect the domestic market will continue to be pressured in the fourth quarter and expect 2024 domestic units to be down mid-single digits versus last year.

While we are encouraged to see the Fed begin a cycle of interest rate cuts, we know a series of cuts is needed to meaningfully impact housing turnover. And there will also be a lag between improvement in housing trends and an improvement in mattress demand. We still anticipate that our 2024 Bedding Products segment volume will be down high single digits due to company-specific factors. Excluding higher trade rod sales for non-bedding applications, segment volume would be expected to be down low double digits. However, it's important to note that our ComfortCore and semifinished products continued to perform in line with or better than domestic mattress production trends, and we are working closely with our customers on a number of product line refreshes and value engineering opportunities.

Turning to Automotive. The market remains volatile across geographies. In China, multinational OEM customers are losing share to Chinese EV manufacturers, where we are currently less represented, resulting in short notice production declines. In Europe, economic softness and consumer affordability issues have given Chinese EV manufacturers opportunities to supply lower-cost electric vehicles, leading to production declines, product trade down and program launch delays for our customers. In North America, uncertainty around EV transition time lines and consumer affordability issues is resulting in program launch delays and product trade downs. Although our sales are more impacted by these factors than previously expected, our Automotive team continues to realize efficiency improvements and closely manage cost, resulting in improved EBIT margins.

Finally, weakness in our Geo Components business continued through the third quarter, impacting both the civil construction market and retail sales. These trends are expected to continue in the fourth quarter in addition to normal seasonal softness. Despite the near-term demand challenges, we remain focused on our initiatives to strengthen our balance sheet, improve operating efficiency and margins and position ourselves for future profitable growth opportunities.

I'm pleased to share that our restructuring plan remains on track, and our teams have done an excellent job executing the plan. We will exit our Mexican innerspring operation by year-end, which will conclude all innerspring-related restructuring activity in the Bedding Products segment. Within Specialty Foam, we have closed 2 operations and expect 1 more consolidation to be complete by year-end. Early in the fourth quarter, we closed 1 Adjustable Bed location and shifted production to a more cost-advantaged facility to reduce excess capacity and improve our cost structure.

Restructuring initiatives in the Furniture, Flooring and Textiles Products segment are also on track. We successfully executed the restructuring activity in Home Furniture, and we expect to complete Phase 1 of our flooring products restructuring by early next year. Within Specialized Products, our Hydraulic Cylinders team is actively working through our restructuring project designed to increase profitability through manufacturing optimization and operating efficiency improvements.

Last quarter, we shared an in-depth strategic review of our portfolio was underway. We are focused on simplifying our portfolio to businesses that are the right long-term fit for Leggett & Platt. As part of this strategic review, we are currently exploring the potential sale of our Aerospace business. We do not intend to comment on or provide updates regarding our strategic evaluation process unless and until we determine that further disclosure is required or otherwise appropriate.

We also continue to work through an evaluation of our general and administrative cost structure. Our G&A project team is analyzing and identifying opportunities to drive efficiencies. We have identified approximately $10 million in corporate cost savings, which are expected to be realized in 2025. We continue to analyze and identify potential opportunities within our business unit functions. However, we anticipate potential cost reductions will be smaller than those identified in our corporate functions. We remain confident in our ability to execute the restructuring plan and other operation efficiency improvements and position our company for long-term success. I'll now turn the call over to Ben to review third quarter financial details and our revised outlook for the year.

Benjamin M. Burns
Executive VP & CFO

Thank you, Karl, and good morning, everyone. Third quarter sales were $1.1 billion, down 6% versus the third quarter of 2023 due to volume declines across all 3 segments and raw material-related selling price decreases. Compared to third quarter 2023, sales in our Bedding Products segment decreased 8%. Third quarter sales in Specialized Products declined 6% year-over-year, and sales in Furniture, Flooring and Textile Products were down 4%. Third quarter EBIT was $78 million, and adjusted EBIT was $76 million, down $10 million versus third quarter 2023, primarily due to unfavorable product mix in Bedding Products, lower volume, metal margin compression and higher bad debt reserves, partially offset by lower amortization expense, operational efficiency improvements and restructuring benefit.

Despite weaker-than-expected results, adjusted EBIT margin improved by 60 basis points sequentially this quarter. Third quarter earnings per share was $0.33. On an adjusted basis, third quarter EPS was $0.32, an 11% decrease versus third quarter 2023 adjusted EPS of $0.36. Cash generation remains a sharp focus. Our long-term priorities for use of cash are funding organic growth, funding strategic acquisitions and returning cash to shareholders through dividends and share repurchases. However, in the near term, we are prioritizing debt reduction while continuing to fund organic growth.

In the third quarter, operating cash flow was $95 million, a decrease of $48 million versus the third quarter of 2023. This decrease was primarily driven by less benefit from working capital and lower earnings. We ended the quarter with adjusted working capital as a percentage of annualized sales of 14.5%, an increase of 30 basis points versus third quarter 2023. Cash from operations is now expected to be approximately $300 million in 2024 versus our prior guidance of $300 million to $350 million.

In the third quarter, we made progress on debt reduction as planned, reducing total debt by $124 million to $1.9 billion, which includes $84 million of commercial paper outstanding. Additionally, net debt to trailing 12-month adjusted EBITDA decreased to 3.78x at quarter end. We expect to make further progress toward our long-term leverage ratio target of 2x in the fourth quarter. As a reminder, cash previously used for the dividend, along with proceeds from real estate sales and any potential divestitures, will be used to accelerate debt reduction.

We still expect to predominantly utilize our commercial paper program to repay $300 million of notes maturing in November. Total liquidity was $748 million at September 30, comprised of $277 million of cash on hand and $471 million in capacity remaining under our revolving credit facility. Restructuring costs during the quarter were $12 million, comprised of $11 million in cash costs and $1 million in noncash costs. The plan remains on track from a cost perspective, and there are no changes to our total cost estimates or timing of costs.

In the third quarter, we realized $6 million of EBIT benefit related to the restructuring plan and still expect approximately $10 million to $15 million of EBIT benefit to be realized in 2024. We now expect the total annualized EBIT benefit of $50 million to $60 million after initiatives are fully implemented in late 2025 versus our prior estimate of $40 million to $50 million due to the additional $10 million expected from our G&A initiatives. We realized $4 million of restructuring-related sales attrition in the third quarter, and now expect approximately $15 million of sales attrition in 2024 versus our prior estimate of $25 million. Total sales attrition on an annualized run rate basis once all initiatives are fully implemented in late 2025 is still expected to be approximately $80 million.

In the third quarter, we realized $17 million in cash proceeds from the sale of real estate associated with the plan. We now expect approximately $20 million in cash proceeds from restructuring-related real estate in 2024 versus our prior estimate of $15 million to $25 million. An additional $40 million to $60 million in proceeds is expected in 2025, when the majority of sales are anticipated to be complete. Our expectation of $60 million to $80 million in total restructuring related real estate proceeds remains unchanged.

We are lowering our 2024 sales and EPS guidance as we anticipate weaker demand trends to continue into the fourth quarter, particularly within our Specialized Products and Furniture, Flooring and Textile Products segments. 2024 sales are now expected to be $4.3 billion to $4.4 billion, or down 7% to 9% versus 2023 compared to our prior guidance of $4.3 billion to $4.5 billion. Volume is now expected to be down mid-single digits, with volume at the midpoint down high single digits in Bedding Products, down mid-single digits in Specialized Products versus prior guidance of flat volume and down mid-single digits in Furniture, Flooring and Textile Products versus prior guidance of down low single digits.

Deflation and currency combined are expected to reduce sales low single digits. Full year adjusted earnings per share are expected to be $1 to $1.10 versus our prior guidance of $1.10 to $1.25. As a result, our 2024 full year adjusted EBIT margin range is expected to be 6.0% to 6.4% versus our prior guidance of 6.5% to 6.9%.

In closing, I would like to thank our employees for their significant contributions. Our employees are actively driving positive change across each of our businesses, reflecting our dedication to improve profitability, and we are committed to creating long-term value for our shareholders. With those comments, I'll turn the call back over to Cassie.

Cassie J. Branscum
Vice President of Investor Relations
Thank you, Ben. Operator, we're ready to begin Q&A.

Question and Answer

Operator

[Operator Instructions] Our first questions come from the line of Susan Maklari with Goldman Sachs.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Thank you. Good morning, everyone.

Karl G. Glassman
President, CEO & Chairman

Good morning, Susan.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

My first question is in Bedding. One of the things that you noticed was that unfavorable mix in terms of both the sales and the margins, just given the steel rod and what's coming through there. Can you talk a little bit about that mix shift and what it implies for profitability as we think about the outlook in the forward quarters perhaps?

Karl G. Glassman
President, CEO & Chairman

Yes, happy to, Susan. Keeping the rod mill full is really important. But Tyson, if you don't mind, why don't you kind of unwind the details for Susan?

J. Tyson Hagale
Executive VP & President of Bedding Products

Yes, sure thing. You're right. Our volume in Bedding was down just 3% year-over-year. But in our core products, it was down more than that. So filling in with the mix of trade rod and then some other products within ECS that offset some of those declines. But going forward, we do expect a higher mix of trade rod and wire tons. And you remember that the trade market is much more low carbon than high carbon, what we use internally. And while those margins are lower, they are important, Karl said it's important for us just from an operating perspective to operate the mill as full as we possibly can. It helps us lower or at least maintain our scrap costs. It also helps us maintain or lower our conversion costs, which is really critical.

And also, it's a really skilled workforce. So maintaining our workforce and running the mill as full as we can is a really important thing for us. But just the reality of where we see both the long-term decline of semi-flex or grids and box springs, the decontenting or just lower material usage within mattress products, and also just imported finished mattresses in the U.S. is just a reality for us in running the mill now. So that will be a long-term expectation of ours, that the trade rod mix will be part of our business. Longer term, volume remains the #1 headwind for us in terms of margin and recovery. Our restructuring plan and operating efficiency improvements will certainly help. But on the flip side, the lower mix or margin from the trade rod will be a negative or takeaway from that.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Okay. That's great color. And then shifting to Auto. Karl, you mentioned some of those bigger moves that are coming through in that business that are reflected in the results. As you think about your expectations for new programs this year, how has that shifted given what's going on in the broader industry? And can you talk a bit about some of the company-specific efforts that are also coming through in that business?

Karl G. Glassman
President, CEO & Chairman

Yes. Susan, thank you for that as well. But as I said in the prepared remarks, the Global Automotive business is in flux and is variable by region as well. Said differently, what's happening in North America with slow EV uptake is very different than what's happening in China. And Europe has completely different issues based around cost and affordability.

So there has been delay in the program starts. That's not all bad because we have a lot of legacy programs that we're running out. They're very profitable programs. Our teams can focus on them. The challenge is kind of the stop-start nature of things and the uncertainty. But in terms of actions that we are taking, Sam Smith has done a wonderful job of helping me oversee the Specialized Products segment. So Sam, if you don't mind, will you kind of detail those items for Susan and clean up any of my comments, if you would.

R. Samuel Smith
Executive VP and President of the Furniture, Flooring & Textile Products

Yes, sure, Karl. Thanks. And the words you used, in flux, are definitely the right words, I think. And Susan, if you go back to the beginning of the year, our assumptions were that the underlying business, the programs that we had were really going to be flat coming into 2024. And then our volume growth would come from these new program launches. And Karl talked about the tremendous amount of change that's impacted the business across all the regions. And the single biggest impact to our business from a top line standpoint has been that those new programs just haven't launched. He's mentioned the ICE EV transition and how it's been impactful across all the different regions and in different ways across each region.

Most of our customers' launch expectations really changed in one way or another. And many of those programs that we won and that we were going to start up this year, they've really been delayed or some even pushed out with no clear start date yet. So these program delays account for about 40% of where we thought our top line would be at the beginning of the year versus where we see it being now. The other 60% come from a variety of reasons that Karl has already mentioned at a high level.

So I mentioned that at the beginning of the year, the 2024 major market production forecasts were supposed to be relatively flat year-over-year. And what's happened is that since the middle of this year, IHS' forecast has dropped a little bit each month. So now their major market October 2024 forecast, excluding Russia, is about 2.5% lower than it was a year ago. And that dropped significant to our business, and it's being driven by the difficulties that are facing many of the major multinational OEMs that I'm sure everyone's read about.

On top of that, affordability is also an issue. Consumers are looking for ways to save a little bit of money. So product trade downs are impacting our top line. Now product trade downs are not a bad thing for us. Let's say, a manufacturer switches from a high-end massage system to a pneumatic lumbar or from a pneumatic lumbar to a mechanical lumbar. They save some money, and they can pass that on to consumers, but we still keep the volume. So it drops top line a little bit, but we make a profit regardless of the product choice.

And finally, inventory is going up. We follow the Automotive News, which is a trade publication. And a few weeks ago, they reported that U.S. car and light truck inventory is up about 570,000 units year-over-year. And that translates going from about 60 days of sales a year ago to 80 days now. So we think this inventory growth may also impact us as we get into the last few months of the year. So that kind of sums up the volume impact.

I wonder, your question about what are the specific efforts that we've been taking to kind of mitigate this volume pressure. So I'll say that we're really proud of the hard work that the Automotive team have been doing all year long. They've pulled every lever that they possibly can, and we're aligning our variable cost structure to be in line with demand and to be sustainable over time.

So just a few things they've done. They've resized the headcount across the business, across all the regions. They've done salaried, direct and indirect. They're focusing on using automation and robotics to further reduce labor costs, got several projects going in now, going well. They're moving programs from across our footprint to get them closer to the end customer. Some shipping costs and improve operational efficiencies. We've moved out of several outside warehouses while resizing and reshaping our inventory so that we can eliminate premium freight that hurt us in the past.

We're focusing heavily on raw material cost savings. And in some cases, we're resourcing vendors where we need to get those savings. And the team continued to do their day-to-day, week-to-week routine VA/VE work that delivers bottom line, delivers money to the bottom line. So all these efforts have a very positive impact on our ability to hold and grow our margins despite the volume pressures we're seeing. And I think they set us up nicely for the future.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Okay. That is great color, Sam. I just have 2 more quick ones, maybe for Ben. The first is, Ben, when we think about the CapEx guide that you've laid out for the full year relative to what you've done in the first 3 quarters, it would imply that there's about $40 million more spend coming through in the fourth quarter. Can you just talk through what some of those projects are? And how we should think about the timing of that?

Benjamin M. Burns
Executive VP & CFO

Yes, good morning, Susan, and thanks for the question. And yes, you're right. We've spent about $60 million year-to-date, which would imply $40 million in the fourth quarter, which is a pretty heavy dose compared to what we've done so far. But these are things that we see right in front of us that we feel are very likely. And the first one I'd mention is around our rod mill and just the regular maintenance that we typically do this time of the year. So that's critical work that we'll be doing, and we know that, that's ongoing.

Also in Bedding, we've got some new programs and growth initiatives and some efficiency projects that are underway that we're getting ready to launch. And in fact, some of those are already starting. So that's really positive. And then I would also say, despite some of the challenges Karl and Sam talked about on the Automotive side, we do have some new programs that are launching in the fourth quarter and some CapEx that we'll be spending there.

So it's a variety of things, but it is a heavier dose in the fourth quarter, but we feel like that's really some good things. And maybe I'll ask Tyson to jump in there with a little bit more color on some of the new initiatives that we have in Bedding, which are pretty exciting.

J. Tyson Hagale
Executive VP & President of Bedding Products

Yes. Yes, they both relate to spring. I mean, you mentioned that the normal shutdown we take at Sterling is normal maintenance capital is required, but the other projects are return based. And so we do have a really important initiative for both 1 of our customers and also for us on a product line refresh, and that does require capital spending for equipment for us to manufacture the product that's required. And that will be rolling out in the early part of next year. But the capital spend is taking place in the fourth quarter. So that's a really important thing for both the customer and us. And then also we have additional equipment spend also in U.S. Spring to help with manufacturing efficiency, both with material and labor content. So that will be also a good return project for us, both in 2025 and moving forward.

Benjamin M. Burns
Executive VP & CFO

Yes. Thanks, Ty. Good investments, for sure.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Okay. All right. And then just 1 last one, Ben. When we think about where we are year-to-date, can you just walk us through the margin expectations for each of the segments for this year? And any changes that you would note relative to your prior guide?

Benjamin M. Burns
Executive VP & CFO

Yes. Sure thing, Susan. Happy to do it. Well, let's start with Bedding. Compared to what we thought before, we see margins now down about 200 basis points. And that's largely an impact from the unfavorable sales mix that we talked about earlier. On a Specialized Products basis, we would expect margins to be down slightly. And then on the Furniture, Flooring and Textile side, we expect those margins to be flat.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Okay. I'll pass it along.

Operator

Our next questions come from the line of Bobby Griffin with Raymond James.

Robert Kenneth Griffin

Raymond James & Associates, Inc., Research Division

The first thing I wanted to chat on, Karl, was maybe just the comments on 3Q Bedding consumption being flat year-over-year. That -- I understand the mix between domestic and imports was moved those numbers around some. But I guess the overall flat surprised me a little. Do you believe that's just a function of a flush of imports coming into the market? Or kind of what do you think is driving that? Because I guess the flat to me in today's macro was a little bit better just from a pure consumption standpoint.

Karl G. Glassman
President, CEO & Chairman

Yes. Bobby, thanks for the question. Remember, it's off a relatively easy comp in 3Q '23. The imports have slowed. But as we had said previously, there was a significant amount of imports that came in right before the duties were levied, and we believe that those are unwinding. But Tyson, how else would you answer that question?

J. Tyson Hagale
Executive VP & President of Bedding Products

Sure thing. You got it right, Karl. We did see the significant ramp up late last year with imports coming in ahead of the duties, and then they slowed in the first and second quarter. But there was a pretty significant overhang for what came in at the end of last year. We did see some incremental growth in landed imports in the third quarter versus second quarter, but still not nearly to the levels that we saw last year. But really, Bobby, just kind of looking at some of the channel information that we review and especially on some of the e-com channels, we did see quite a lot of activity in the third quarter. And so that's where we get to overall flat, but much slower and softer for domestic production and consumption.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

I understand. That's helpful. And then Tyson, have you heard anything interesting from your customers on just how they're behaving during these next couple of weeks with the election? Have they pulled back on ad spend just because of the crowd-out effect? Or anything interesting just floating through the channel there to help us understand really kind of the 2-, 3-week impact here?

J. Tyson Hagale
Executive VP & President of Bedding Products

Sure thing, Bobby. It's really just -- even getting into October, things have been soft. And I think it's for what you said. I mean, that's always the expectation of getting crowded out, the higher -- high advertising costs, but also just a generally distracted consumer as we get closer to the election. So definitely, we feel like that's an impact, and also our customers watching inventories in the fourth quarter. But still, overall, just expecting kind of a normal seasonal pattern in the fourth quarter.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Perfect. And then on Specialized Products, I understand you guys are in the process of seeing what you can get for Aerospace. So I don't expect you to kind of comment on its pure profitability. But could you rank order the 3 businesses in that segment in terms of EBITDA margins, of which 1 is the strongest to the lowest? And I have a feeling Hydraulic Cylinders is roughly around breakeven in my guess, so that would be at the bottom. But just -- any color on how Aerospace stacks up versus Auto would be helpful for us running some analysis on what potentially it could be worth.

Karl G. Glassman
President, CEO & Chairman

That's an interesting approach, Bobby. I can kind of picture Cassie getting nervous, but I'm going to tell you, the answer is Automotive, Aerospace, Hydraulics.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Thank you. I learned from the master on how to try to fit those questions in from the former guy work for.

Karl G. Glassman
President, CEO & Chairman

You absolutely did. And actually, I do want to digress for a second. Bobby, you made reference to him. Budd Bugatch was very much a friend of Leggett & Platt. Covered us for 35 years, and we miss Budd. And thank you. I kind of feel a little bit of Budd in you every time you ask a question, and he would be pleased. That was masterful, the way you slipped that in.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

I appreciate it, Karl. Thank you. Kind words. Great analyst, even better human, I always say. So absolutely he would like that question. I guess lastly for me, just a question for Ben. Great to see the debt pay down here in the quarter. Just as we think further out and you've got some wins of cash coming into the business, what's the interest savings on, say, $100 million of debt pay down and we can run that then in our models?

Benjamin M. Burns
Executive VP & CFO

Yes. Thanks, Bobby, for the question. As we kind of think about it looking forward, we'll pay off the bonds here in a few weeks with commercial paper. So that really will be the deleveraging path that is reducing our commercial paper. So think about $5 million reduction for every $100 million in debt -- I'm sorry, $5 million in expense going down for every $100 million that we reduce.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Perfect. Very helpful. Congrats on the early progress within the restructuring. And best of luck here in 4Q.

Karl G. Glassman
President, CEO & Chairman

Thank you, Bobby.

Operator

Thank you. [Operator Instructions] Our next questions come from the line of Peter Keith with Piper Sandler.

Peter Jacob Keith
Piper Sandler & Co., Research Division

One category you hadn't talked about yet was the Home Furniture piece, and it does sound like that was a little bit of the guide down. I was -- I guess I was a bit confused. I think you talked about Geo Components, but Home Furniture did take a pretty notable step down sequentially on both the sales and volume basis. And I'm wondering if that's industry backdrop or something company specific?

Karl G. Glassman
President, CEO & Chairman

Peter, thanks for the question. It is absolutely -- your observation is right, first off, and it is industry. The home furniture industry is actually probably softer than bedding, if that's possible. That industry has been terribly disrupted by retailer bankruptcies. The bedding industry has been impacted to some degree, but certainly home furniture, more. And it's been challenged. The consumer has some of the same challenges. But Sam, you know that -- I mean, that's your home. Why don't you plow into Peter's question, if you don't mind.

R. Samuel Smith
Executive VP and President of the Furniture, Flooring & Textile Products

Sure, Karl. And thanks for the question, Peter. Yet the retail bankruptcies that Karl mentioned are a big impact. Especially at those price points because they're being serviced by some of our domestic customers, but also some of our -- a lot of our Asian customers. So that was a big impact during the quarter.

I'd say the next factor is more of a historical perspective and kind of a comp issue, Peter. You know this big industry-wide slowdown started back in 2022. And in our business, especially our business in Asia was impacted first as the retailers rightsized their inventories from 2022 right up through the middle of 2023. Now by Q3 of last year, those retail inventories, especially at the lower price points, were a lot healthier. So what happened in Q3 of last year, retailers started ordering again, and we started getting quite a few more orders in China than we've gotten for almost a year. So our Q3 China volumes were actually fairly decent last year.

Now this year, the industry has continued to soften. As we've talked about, supply chain is caught up, and there's just simply fewer orders in the chain that are coming our way than they were last year. So that comp issue is a factor. And there's another smaller thing that I want to make sure we cover. At the beginning of this year, we moved some of our production from the U.S. to Asia and to a few of our other U.S. locations. And some of our larger customers who are ordering out of that location started ordering really heavy in the first half of the year to make sure they had plenty of stock. So we had a really strong Q2 from a volume standpoint. By the beginning of the third quarter this year, they realized that their warehouses were packed, and they really held off ordering any new product until late in the quarter. So that was another factor. And those folks are ordering again, and we'll see more consistency going through Q4 from them.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. That's very helpful. I do agree, the furniture industry backdrop seems challenged, and interesting comments on the retail bankruptcies. I did want to pivot back to the steel rod business. And on the reverse side, where furniture slowed, steel rod just accelerated massively. And it feels like there's a strategic shift here that might stick around. So the sales were up a lot. You say you want to run full capacity, still some metal margin. Are you cutting prices a little bit in order to be hypercompetitive and drive volumes? And is that a shift that we should expect going forward?

J. Tyson Hagale
Executive VP & President of Bedding Products

Hey Peter, this is...

Karl G. Glassman
President, CEO & Chairman

Peter -- yes, why don't you go ahead, Ty. I just want to -- we're not disrupting the market in any way, that market pricings have been depressed in the steel market, but there has been some capacity that's been taken offline. So we're -- our mill is incredibly efficient as compared to others. But Tyson, please elaborate.

J. Tyson Hagale
Executive VP & President of Bedding Products

Sure thing. And Peter, no, we're not changing our pricing strategy and lowering market prices or anything like that. It is a realization, like I mentioned earlier, that the trade market will be necessary for us to run full. We do have our team that is actively and all the time exploring the market and see -- and determine what makes sense for us around the mill. I mean, you probably know our mill is pretty focused, and that's what allows us to keep our costs in line. So it is a balance of what makes sense for us and what we're actually able to serve. But it's not a pricing strategy. It's more just a market evaluation and opportunities and what makes sense for us in the mill.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. And sticking on that, the metal margin was called out again as a headwind. Is there any visibility into when that will eventually normalize and no longer be a headwind on margins?

J. Tyson Hagale
Executive VP & President of Bedding Products

It's difficult to predict exactly when. We have seen things like Karl mentioned, just kind of with the softness in the market, we have seen the steel market soften a bit. But overall, it's down obviously from the historical high that we've seen over the last several years. And so we're getting into a more normal range that we've seen.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. Great. And then lastly, just to circle back on Automotive. Again, focusing on segments that saw quite a bit of sequential change from last quarter. So the Automotive volume is down 9%. Is that, based on your visibility, something that should continue for a while? Or was this just a notable air pocket in the third quarter?

Karl G. Glassman
President, CEO & Chairman

Sam?

R. Samuel Smith
Executive VP and President of the Furniture, Flooring & Textile Products

Yes. Thanks, Karl. That's a great question. We normally, going into Q4, see a pickup for a variety of reasons, 1 of which is we've got large Asian factories. And we do see some pickup before Chinese New Year, that's just a routine thing. We believe we will see some pickup before Chinese New Year this year. Will it be as big as normal? That's what we're still trying to work through, Peter.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. Very good. I appreciate the feedback.

Operator

Our next questions come from the line of Judy Merrick with Truist Securities.

Judith Lynn Merrick
Truist Securities, Inc., Research Division

This is Judy on for Keith Hughes. Just -- if you could kind of clarify the pace of the mattress component sales? You said the domestic production was down high single digits, and you're looking for a mid-single-digit decline in the fourth quarter. Is that still on flat U.S. consumption?

J. Tyson Hagale
Executive VP & President of Bedding Products

Well, we believe the U.S. market will be down in the fourth quarter. The domestic market is down more than the overall consumption due to the impact of the imports.

Judith Lynn Merrick
Truist Securities, Inc., Research Division

Okay. And then there is where you saw ComfortCore, you said it was a little better than the industry. Did that show improvement through the quarter? Or that's just how it's performing?

J. Tyson Hagale
Executive VP & President of Bedding Products

That's just generally how it's been performing over time. And some of it is obviously the shift from Open Coil to ComfortCore over a long period of time and also just performance of some of our customers, we've been more in line with the market or slightly ahead with ComfortCore than we have with Open Coil and certainly the Box Spring products.

Karl G. Glassman
President, CEO & Chairman

Thank you, Judy.

Operator

There are no further questions at this time. I would now like to turn the floor back over to Cassie Branscum for any closing comments.

Cassie J. Branscum
Vice President of Investor Relations

Thank you for joining us and your interest in Leggett & Platt, and have a great day.

Operator
Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.