

First Quarter Summary Financial Information

April 27, 2017



Leggett & Platt
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Forward Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to achieve its longer-term operating targets and generate average annual TSR of 11%-14%, price and product competition from foreign and domestic competitors, the amount of share repurchases, changes in demand for the company’s products, cost and availability of raw materials and labor, fuel and energy costs, future growth of acquired companies, general economic conditions, possible goodwill or other asset impairment, foreign currency fluctuation, litigation risks, and other factors described in the company’s Form 10-K. Any forward-looking statement reflects only the company’s beliefs when the statement is made. Actual results could differ materially from expectations, and the company undertakes no duty to update these statements.

Overview

- ❑ Sales were up 2%, to \$960 million
 - Organic sales grew 4% and acquisitions added 1%; growth partially offset by divestitures (3%).
- ❑ EPS from continuing ops of \$.62, down vs. \$.63 in Q1-16
- ❑ EBIT of \$116 million, down 9% vs. Q1-16
- ❑ EBIT margin of 12.1%, down 140 bps vs. 13.5% in Q1-16
- ❑ Two acquisitions in Q1 add ~\$50 million in annual sales.
- ❑ 2017 guidance unchanged
 - Continuing Ops EPS of \$2.55 - \$2.75
 - Sales of \$3.95 - \$4.05 billion

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Q1 2017 Financial Highlights

\$'s in millions (except EPS)	<u>Q1-17</u>	<u>Q1-16</u>	<u>Change</u>
Sales	\$960	\$938	2%
EBIT	116	127	(9%)
EBIT margin	12.1%	13.5%	(140bps)
EPS cont. ops	.62	.63	(2%)
Cash from Operations	\$58	\$111	(48%)
EBITDA	146	155	(6%)

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Q1 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
1 st Qtr 2016	\$938	
Divestitures	<u>(24)</u>	(3%)
Adjusted Q1-16 sales	914	
Approx volume growth	35	4%
Approx raw material-related pricing and currency impact	<u>-</u>	<u>-%</u>
Organic sales	35	4%
Acquisitions	<u>11</u>	<u>1%</u>
1 st Qtr 2017	\$960	2%
EBIT:		<u>margin</u>
1 st Qtr 2016	\$127	13.5%
Other, volume gains more than offset by higher steel costs and other smaller factors	<u>(11)</u>	
1 st Qtr 2017	\$116	12.1%

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Q1 2017 Non-Operating & Taxes

<u>\$'s in millions</u>	<u>Q1-17</u>	<u>Q1-16</u>	<u>Change</u>
EBIT	\$116	\$127	(9%)
Net interest	9	8	
Pre-tax earnings	107	119	(10%)
Income taxes	21	28	
<i>Tax rate</i>	<i>20%</i>	<i>23%</i>	
Earnings from cont. ops	86	91	(5%)
Earnings from discontinued ops	-	-	
Net earnings	86	91	(5%)
Non-controlling interests	-	(2)	
Net earnings attributable to L&P	86	90	(4%)
EPS	.62	.63	(2%)

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Adjusted Working Capital

	3/31	12/31	3/31
\$'s in millions	<u>2017</u>	<u>2016</u>	<u>2016</u>
Cash & equivalents	\$269	\$282	\$250
Accounts receivable, net	555	486	531
Inventories, net	556	520	522
Other current assets	<u>33</u>	<u>37</u>	<u>39</u>
Total current assets	<u>1,413</u>	<u>1,325</u>	<u>1,342</u>
Current debt maturities	(3)	(4)	(3)
Accounts payable	(388)	(351)	(332)
Accrued and other current liabilities	<u>(326)</u>	<u>(352)</u>	<u>(345)</u>
Total current liabilities	<u>(717)</u>	<u>(707)</u>	<u>(680)</u>
Working capital	696	618	662
% of annualized sales ¹	18.1%	17.1%	17.6%
W/C, excluding cash & current debt	430	340	415
% of annualized sales ¹	11.2%	9.4%	11.1%

¹ Annualized sales: 1Q17: \$960x4=\$3,840; 4Q16: \$904x4=\$3,616; 1Q16:\$938x4=\$3,752

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Debt & Equity

	3/31	12/31	3/31
\$'s in millions	<u>2017</u>	<u>2016</u>	<u>2016</u>
Long-term debt	\$1,120	\$956	\$1,032
Current maturities	3	4	3
Less: cash	<u>(269)</u>	<u>(282)</u>	<u>(250)</u>
Net debt	854	678	785
Long-term debt	1,120	956	1,032
Other long-term liabilities	218	227	221
Shareholders' equity	<u>1,065</u>	<u>1,094</u>	<u>1,091</u>
Total capital	2,403	2,277	2,344
Current maturities	3	4	3
Less: cash	<u>(269)</u>	<u>(282)</u>	<u>(250)</u>
Net capital	2,137	1,999	2,097
Long-term debt to total capital	46.6%	42.0%	44.0%
<i>Net debt to net capital</i>	<i>40.0%</i>	<i>33.9%</i>	<i>37.4%</i>
Shares outstanding (end of period)	132.3m	133.5m	134.2m

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Cash Flow

\$'s in millions	1 st Qtr		YTD	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net earnings	\$86	\$91	\$86	\$91
D&A	30	28	30	28
Impairment, write-offs & other	3	3	3	3
Other non-cash	18	16	18	16
Changes in working capital:				
Accounts receivable	(60)	(4)	(60)	(4)
Inventory	(30)	(14)	(30)	(14)
Other current assets	5	2	5	2
Accounts payable	29	22	29	22
Other current liabilities	<u>(23)</u>	<u>(33)</u>	<u>(23)</u>	<u>(33)</u>
Cash from operations	58	111	58	111
Capital expenditures	34	28	34	28
Acquisitions	38	16	38	16
Dividends	45	44	45	44
Share repurchases (issuances), net	103	105	103	105
Proceeds from asset sales	1	2	1	2
Additions (repayments) of debt, net	154	81	154	81

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YTD 2017 Financial Summary

\$'s in millions (except EPS)	<u>2017</u>	<u>2016</u>	<u>Change</u>
Sales	\$960	\$938	2%
EBIT	116	127	(9%)
EBIT margin	12.1%	13.5%	(140bps)
EPS (cont. ops)	.62	.63	(2%)
Cash from Operations	\$58	\$111	(48%)
EBITDA	146	155	(6%)

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YTD 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2016	\$938	
Divestitures	<u>(24)</u>	(3%)
Adjusted 2016 sales	914	
Approx volume gains	35	4%
Approx raw material-related pricing and currency impact	<u>-</u>	<u>--%</u>
Organic sales	35	4%
Acquisitions	<u>11</u>	<u>1%</u>
YTD 2017	\$960	2%
EBIT:		<u>margin</u>
YTD 2016	\$127	13.5%
Other, volume gains more than offset by higher steel costs and other smaller factors	<u>(11)</u>	
YTD 2017	\$116	12.1%

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2017 Guidance

- ❑ Continuing Ops EPS unchanged at \$2.55-\$2.75
- ❑ Sales guidance unchanged at \$3.95-\$4.05 billion
 - 5-8% growth versus 2016
 - Assumes mid-single-digit volume growth plus commodity inflation
- ❑ Implied EBIT margin of ~12.7%-13.3%
- ❑ Operating cash should exceed ~\$450 million
- ❑ Dividends should require ~\$185 million
- ❑ Cap-ex of ~\$150 million
- ❑ Full-year tax rate of ~25%
 - Q1 was 20%; avg Q2-Q4 of ~26%
- ❑ Diluted shares of ~137 million

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Segments

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Q1 2017 Segment Summary

	Q1-17 Organic <u>Sales Growth</u> ¹	Q1-17 EBIT <u>Margin</u>	<u>Δ vs Q1-16</u>
Residential Products	(2%)	10.7%	+230bps
Industrial Products	(4%)	6.5%	-630bps
Furniture Products	--	7.5%	-410bps
Specialized Products	9%	18.2%	-140bps
Total Consolidated	4%	12.1%	-140bps

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

Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
1 st Qtr 2016	\$395	
Divestitures	<u>(1)</u>	--%
Adjusted Q1-16 sales	394	
Acquisitions	9	2%
Organic sales	<u>(7)</u>	<u>(2%)</u>
1 st Qtr 2017	\$396	--%

EBIT:		<u>margin</u>
1 st Qtr 2016	\$33	8.4%
Other: absence of prior year FIFO impact and favorable sales mix in current qtr	<u>9</u>	
1 st Qtr 2017	\$42	10.7%

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Residential – Key Points

- ❑ Q1 organic sales were down 2%:
 - Fewer pass-through sales of adjustable beds reduced segment sales by 4%
 - Volume grew 2%, with demand improving late in the quarter
- ❑ Volume trends for Q1, excluding inflation and currency:
 - U.S. Spring component \$'s were flat
 - Comfort Core innerspring units increased 6%
 - Innerspring units decreased 4%; boxspring units down 7%
 - International Spring \$'s up 10%
 - Machinery \$'s decreased significantly, offsetting other growth in the segment.
- ❑ EBIT and EBIT margin increased from absence of prior year FIFO inventory impact and favorable sales mix in current qtr.
- ❑ Acquired distributor/installer of geo synthetic products in our Geo Components business.

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Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
1 st Qtr 2016	\$157	
Divestitures	<u>(16)</u>	(10%)
Adjusted Q1-16 sales	141	
Organic sales ¹	<u>(6)</u>	<u>(4%)²</u>
1 st Qtr 2017	\$135	(14%)

¹ Lower volume (-7%) partially offset by steel related price increases.

² % is calculated on adjusted Q1-16 sales.

EBIT:		<u>margin</u>
1 st Qtr 2016	\$20	12.8%
Other: primarily higher raw material cost and lower volume	<u>(11)</u>	
1 st Qtr 2017	\$9	6.5%

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Industrial – Key Points

- ❑ Q1 organic sales down 4%, with lower volume in Steel Rod and Drawn Wire partially offset by steel related price increases.
- ❑ EBIT and EBIT margin decreased during the quarter primarily due to the timing lag associated with recovering higher steel costs through increased selling prices, and lower volume in Steel Rod and Drawn Wire.

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Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
1 st Qtr 2016	\$272	
Organic sales	<u>(1)</u>	<u>(--%)</u>
1 st Qtr 2017	\$271	(--%)
EBIT:		<u>margin</u>
1 st Qtr 2016	\$31	11.6%
Building gain (Q1-16)	(2)	
Other: primarily steel inflation and costs associated with new program launches	<u>(9)</u>	
1 st Qtr 2017	\$20	7.5%

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Furniture – Key Points

- ❑ Q1 organic sales were flat, with sales growth in Adjustable Bed and Work Furniture offset by declines in Home Furniture and Fashion Bed.
 - Adjustable Bed sales increased 10%
 - Work Furniture organic sales increased 7%
 - Home Furniture sales down 5%
 - Fashion Bed sales declined 12%
- ❑ EBIT and EBIT margins decreased, primarily from steel inflation, costs associated with new program launches, and the non-recurrence of last year's \$2 million gain from a building sale.
- ❑ Acquired producer of surface critical bent tube components in our Work Furniture business.

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Specialized Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
1 st Qtr 2016	\$221	
Divestitures	<u>(7)</u>	(3%)
Adjusted Q1-16 sales	214	
Acquisitions	2	1%
Organic sales ¹	<u>20</u>	<u>9%</u>
1 st Qtr 2017	\$236	7%

¹ Higher volume (11%) partially offset by currency impact.

EBIT:		<u>margin</u>
1 st Qtr 2016	\$44	19.6%
Other: primarily higher volume offset by costs associated with growth and other smaller items	<u>(1)</u>	
1 st Qtr 2017	\$43	18.2%

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Specialized – Key Points

- ❑ Q1 organic sales grew 9%, with volume gains in Automotive and Aerospace partially offset by currency impact and declines in CVP.
- ❑ Organic sales trends for Q1, excluding currency:
 - Automotive grew 14%
 - Aerospace increased 6%
 - CVP down 30%
- ❑ Q1 EBIT was essentially flat and EBIT margin decreased, with the benefit from higher volume offset by costs associated with growth in Automotive, the non-recurrence of earnings from a prior year divestiture, and other smaller items.

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Segment Reporting Change

- ❑ Filed 8-K on April 10 with an overview of the revised segment structure.
 - Home Furniture Group moved from Residential Products (formerly Residential Furnishings) to Furniture Products (formerly Commercial Products)
 - Machinery Group moved from Specialized Products to Residential Products
 - Industrial Products (formerly Industrial Materials) had no changes
- ❑ LIFO impact is now recognized in the segment to which it relates.
- ❑ Prior year segment data has been revised for comparisons, no changes to previously reported consolidated financial data.

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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
Dave DeSonier
Wendy Watson**

**VP, Investor Relations
Sr. VP, Strategy & Investor Relations
Director, Investor Relations**

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